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Algeria	6.00	Armenia	1.00	Belgium	1.00	Bulgaria	1.00	Canada	1.00	France	1.00	Germany	1.00	Greece	1.00	Italy	1.00	Japan	1.00	Netherlands	1.00	Portugal	1.00	Spain	1.00	Sweden	1.00	Switzerland	1.00	Turkey	1.00	U.S.	1.00	U.K.	1.00	USSR	1.00	West Germany	1.00	Yugoslavia	1.00
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Kennedy Arranges Mondale-Hart Talk, Issues Endorsement

By Milton Coleman
Washington Post Service

ST. PAUL, Minnesota — Senator Edward M. Kennedy of Massachusetts, a spoiler of Democratic Party unity in 1980, assumed the role of peacemaker Monday, as he endorsed Walter F. Mondale and arranged a meeting between Mr. Mondale and his rival for the nomination, Senator Gary Hart.

Mr. Mondale's aides announced that the former vice president and the Colorado senator would meet Tuesday in New York to begin what a Mondale aide termed "the beginning of reconciliation."

Later on Monday, in another sign of reconciliation, Mr. Mondale and Hart supporters in Washington announced an agreement to head off a fight over nearly 600 delegates to the Democratic National Convention that Mr. Hart has contended were elected illegally. But Mr. Hart said he would continue to seek the Democratic nomination.

In St. Paul, Mr. Kennedy and Mr. Mondale made a joint appearance at the Minnesota state capital, where Mr. Kennedy promised "every effort of mind and heart and spirit" to help Mr. Mondale in the fall campaign.

"We have had our full and open debate within the Democratic Party, and now is the time for us to stop debating ourselves and to start debating Ronald Reagan," Mr. Kennedy said.

Saying "there are no profound issues that divide us," Mr. Kennedy said Democrats had a "moral imperative... to heal our party, to defeat Ronald Reagan and to elect Fritz Mondale."

In Washington, Mr. Hart said he would not challenge Mondale delegates at the convention next month in exchange for rule changes that would enhance his chances for the nomination in 1988. The Associated Press reported that agreement was also mediated by Mr. Kennedy. The AP said, quoting unidentified Democratic sources:

"[Mr. Hart said he had reached the decision because he did not want to encourage 'divisiveness or rancor' within the party. The Colorado senator has called some Mondale delegates 'traitors' because they had been elected in states where Mondale delegate committees had been active. The committees, Mr. Hart said, had been formed to enable Mr. Mondale to skirt federal limits on his campaign spending."

[Mr. Hart insisted he would continue his presidential candidacy this year.]

In three appearances Monday

morning, Mr. Mondale made little mention of the other candidate in the race, the Rev. Jesse L. Jackson. Mondale aides had viewed Mr. Jackson as being in a conciliatory mood late last week, just before he left on a weeklong, four-nation tour of Central America.

At one point Monday, however, Mr. Mondale rejected an implication that he would be unable to win black votes in the South without Mr. Jackson's backing.

"I don't need a broker to help me with the public," he said. "I want everybody's support, including Jesse Jackson's. I don't want to be misunderstood. But I think there's a fundamental trust I enjoy in the South."

The relationship between Mr. Mondale and Mr. Kennedy became strained following the 1980 Democratic primaries, in which Mr. Kennedy campaigned strenuously against President Jimmy Carter. Mr. Mondale was Mr. Carter's vice president.

But Friday, Mr. Kennedy telephoned Mr. Hart, informed him that he planned to endorse Mr. Mondale and would visit him on Sunday, a Kennedy aide said.

At that time, Mr. Kennedy also offered to serve as a mediator between the two men.

Following weekend discussions among their aides, Mr. Kennedy called Mr. Hart early Monday from Mr. Mondale's home in Minnesota and put Mr. Hart and Mr. Mondale together over the telephone. They then agreed to Tuesday's meeting, aides said.

Mr. Mondale said the meeting would not involve any discussion of Mr. Hart as a possible running mate.

"By common consent, we'll not bring that up," Mr. Mondale said. He said the morning discussion would be a "general" one.

Reagan Lead Is Seen

Democratic chairmen in 36 states say President Reagan would be the clear winner in their states in a race against Mr. Mondale, according to a poll released Monday in Washington by the Cable News Network.

The poll also said that only nine of the chairmen predicted a Mondale victory. United Press International reported. Five said the vote in their states would be even.

According to the poll, the chairmen were almost evenly split over what they perceived to be the major obstacles facing a Mondale candidacy, with 14 citing the connection to Mr. Carter, 14 the charges that he is beholden to special interests, six his organization and money and the others pointing to other causes.



President Mitterrand greeted Prime Minister Thatcher Monday at Fontainebleau Palace as the two-day European Community economic summit began. An interpreter is at center.

Watchdog Agency Claims Pentagon Improperly Spent Funds in Honduras

By Bernard Gwertzman
New York Times Service

WASHINGTON — The U.S. General Accounting Office has concluded that the Defense Department used federal funds improperly for much of its military construction and training in Honduras over the last two years.

The report by the watchdog congressional agency was obtained Sunday by Representative William V. Alexander Jr. of Arkansas, the chief deputy Democratic whip.

Mr. Alexander asked for a formal opinion five months ago on the specific question of whether the Pentagon was acting illegally, as he had charged, in its military activities in Honduras, or legally, as the Pentagon said. The agency's report avoided the word illegal in its conclusions in favor of the word improper.

(Defense Secretary Caspar W. Weinberger rejected Monday the allegations and called the whole matter a bookkeeping dispute. The Associated Press reported from Washington.)

"There's no question that we were authorized to do what we did," Mr. Weinberger said. He said the congressional agency in its investigation lumped some of the projects together, which would take them over the \$200,000 limit.

"The opinion of the congressional agency cannot force any changes, but it could be used by members of Congress in any subsequent debate as justification for attaching conditions on U.S. military exercises in Honduras."

Mr. Alexander and other House Democrats have accused the Reagan administration of bypassing Congress by using military exercises in Honduras as a shield for building permanent installations there. They have also said the United States was training Hondurans without specific authorization from Congress.

The Pentagon is limited by law to \$200,000 from operation and maintenance funds for the building of "minor military construction projects" in Honduras. The limit, however, applies to each project.

"Consequently, operation and maintenance funding of construction activities in Honduras is ex-

cess of that permitted was improper," the report said. The report did not specify how much the agency thought those projects actually cost.

The report criticized humanitarian programs such as treating about 50,000 civilians for medical problems and providing veterinary services to nearly 40,000 animals. Military use of operation and maintenance funds for this activity is improper, the congressional watchdog agency said.

The Pentagon has said that the use of the funds for construction, training and providing civil services to the Honduran population is justified in normal operations and maintenance support for U.S. troops involved in the exercises, called Big Pine I, Big Pine II, and Granadero I. Honduras borders both Nicaragua and El Salvador.

In a covering letter to Mr. Alexander with the report, Milton J. Socolar, the special assistant to the comptroller general, Charles A. Bowsher, said the agency recommended to the Pentagon that it seek specific funding authorization from Congress if it wishes to continue performing such a wide variety of activities under the aegis of operations and maintenance.

Mr. Alexander said Sunday that "this report says that the president has bypassed Congress in order to militarize Honduras as a part of his Central American policy."

"The Constitution says that is illegal," he said. "The GAO, in observing all the facts, has stated that the president is acting outside the law." He leveled his attack primarily on President Ronald Reagan.

The report focused on the Big Pine

principles to analyze social and political problems.

The pope has also warned priests against taking part in politics. At the same time, however, the pope has underscored themes such as human rights and economic justice that seem consistent with the themes of the liberation theologians.

Cardinal Ratzinger, head of the Congregation for the Doctrine of the Faith at the Vatican, fueled the latest round of debate over the movement by strongly attacking liberation theology last winter. This spring he called on Latin American bishops in Bogotá to press further against certain forms of the theology that he said replace church teaching with Marxist ideology.

Soon after that, the bishops of Peru stepped up an investigation of the works of Dr. Gustavo Gutiérrez, a leading liberation theologian. No charges have been made against him.

"Within the church," the statement said, "while some holding positions of authority have sometimes supported and accepted these movements of liberation, we have also seen people defamed, forbidden to teach theology, rendered suspect of infidelity to the Christian message, and accused of substituting ideologies for the gospel, under the influ-

EC Ministers Discuss New Proposals on U.K. as Economic Summit Opens

By Axel Krause
International Herald Tribune

FONTAINEBLEAU, France — Foreign ministers of the European Community took up new proposals Monday evening to resolve the deadlock over Britain's contribution to the EC budget as the community's crucial economic summit opened.

Several proposals, including one by the EC Commission, were made as the meeting began, but British spokesmen suggested that Prime Minister Margaret Thatcher preferred one submitted in March by President François Mitterrand of France, the current chairman of the EC Council.

British and EC Commission sources said that Mr. Mitterrand's plan would establish a new system for calculating Britain's contribution, based on its relative economic position in the community and the benefits that it derives from membership.

EC sources said the plan would provide for a substantial reduction to take effect beginning in 1984 on a "transitional" basis. The plan would take full effect in 1985 and 1986.

Another compromise proposal by the French, introduced Monday, was not favored by Mrs. Thatcher, they said.

"It's something of a nonstarter," a British spokesman said. "There are several ideas floating around and they may want to pursue them, but the president's is the one we prefer," a spokesman for Mrs. Thatcher said of the Mitterrand plan.

President Mitterrand said earlier that if the British contribution was not resolved, he would suggest that the summit conference proceed with other issues and initiatives so that the community "can organize itself differently," a spokesman for the French leader said.

This was a reference was to France's determination to propose new measures of EC cooperation, including financing, that would exclude Britain.

In what summit participants and diplomatic observers here said was a somewhat hardened position compared to earlier British statements, a spokesman for Mrs. Thatcher said that "We have been compromising for a long time, but the problem is that other people will now have to move."

Previously, some officials, including Britain's foreign secretary, Sir Geoffrey Howe, said that an

effort by all EC members was needed. This was widely interpreted to mean that Mrs. Thatcher was also willing to modify and possibly reduce her previous demands to cut Britain's net contribution to 1 billion.

For Britain, the EC budget issue is fundamental. Page 2.

British officials did not rule out the possibility of a compromise emerging. They noted that EC budget issues, including the 1984 budget deficit, would be discussed until late Monday evening, along with other items on the summit agenda.

Those also include foreign policy issues and the selection of a new EC Commission president. Gaston Thorn, former prime minister of Luxembourg, has held the job for three years and intends to step down at the end of this year as the head of the community's 14-man commission.

Several candidates have been

(Continued on Page 2, Col. 4)

lion European Currency Units (about \$800 million).

"This summit, in light of what the British seem to be saying, could well turn into another failure," said a senior diplomatic official of an EC country. "I give it about 50-50 chance of succeeding."

er interest rates had been expected.

Nonetheless, the rise led many traders to forgo profit taking and stay with the U.S. currency.

First Chicago Corp. led the move to a 13 percent prime, which quickly became industrywide. It was the fourth prime-rate increase this year and the third in three months. The prime is used to determine rates on short-term loans to banks' most credit-worthy customers.

Many economists said Monday that U.S. banks were likely to raise their prime rates further in coming months unless market interest rates and business loan demand fall sharply.

"I believe this is the first in a two-step prime rate increase," said Larry Leuzzi of E.F. Hutton & Co. He said the next rise was likely within a month.

The latest prime-rate increase made a rise seen in the Federal Reserve's discount rate from 9 percent more likely, economists agreed. The discount rate is the Fed's rate on loans to member banks of the Federal Reserve System.

Analysts said banks raised their prime rates because of strong loan demand sparked by economic growth. They also needed to widen the gap between the prime rate and their cost of funds, because many expect the Fed to keep interest rates high or raise them even higher soon.

"The prime rate will hold for a while, but a 15-percent prime is likely within a year," said Maury Harris, chief economist at Paine Webber Inc.

The rise in the prime "just increases the incentive to invest in U.S. securities," one trader noted. This incentive, of course, supports the dollar.

Dealers said that the combination of strong U.S. economic data, which indicate continued pressure on rates, and the likely change in the tax laws would have sent the dollar up higher still, were it not for central bank intervention. The West German Bundesbank was reported to have intervened in the currency markets several times Monday.

Mr. Harris said the prime should rise further because the credit markets and the Fed will react strongly to the first signs of an inflation upturn. However, he does not expect the Fed to immediately tighten its grip on credit.

There should be no prime-rate increase beyond 13 percent, but it can't be ruled out," said Robert Brusca of Irving Trust Co. He said the Fed will be under great pressure to keep rates from rising much beyond current levels.

Many Wall Street analysts had expected the increase, but the timing was a surprise since banks are trying to come to a last-minute agreement that would allow Argentina to pay overdue interest before the end of the June quarter.

(Reuters, UPI)

(Continued on Page 2, Col. 5)

Turkish Prison Protest At a Bitter Stalemate

Reuters

ANKARA — A long and bitter confrontation over conditions in Turkey's military jails, during which at least 10 prisoners have fasted to death, shows no signs of ending.

Officials say more than 100 prisoners are still fasting in a second wave of hunger strikes to back demands for political status for the prisoners, abolition of capital punishment and an end to alleged torture.

Most of the protesters were jailed on charges of being involved in political violence that preceded a military coup in 1980. More than 30,000 alleged extremists were arrested and dozens have since been sentenced to death or to lengthy jail terms in mass trials.

The government denies torturing inmates and refuses to identify them as political prisoners.

"Demands to make the prisons like luxury hotels are impossible to

meet. Public opinion would be against us," one official said.

The latest hunger strike began April 11 in Istanbul's Metris and Samsatlik prisons. The prisoners held hundreds of persons jailed following the coup and most are accused of membership in radical leftist organizations.

Early last week military authorities said three of the protesters had died in the most recent fast. Reports from prisoners' relatives and lawyers put the figure at four. At least a dozen more are in critical condition.

At a press conference last week, Prime Minister Turgut Ozal said 106 prisoners were fasting in Istanbul and the eastern city of Elazig. He affirmed the government's refusal to meet their demands.

The fasts in Istanbul and Elazig follow similar actions by prisoners in Ankara and Diyarbakir jails early this year in which officials said seven inmates died. Relatives put the toll at 12.

Accurate information about the protests is hard to find because of government censorship. Reporters have had to rely on contacts with prisoners' relatives and lawyers, who frequently give conflicting information.

The tough attitude of the authorities reflects an official belief that the alleged extremists are simply continuing in prison the anti-government campaign they previously fought in the streets.

The authorities deny allegations by prisoners, their relatives and human rights groups such as Amnesty International that inmates are subjected to frequent torture, including electric shock.

They admit that the regime in the prisons is harsh, with tough discipline for prisoners who step out of line. But "those who behave or who have reformed get good treatment in jail," a government official said.

Although elected government was restored last December, the military still administers most of the prisoners under the terms of martial law that remains in force in most of the country.

Vatican Challenged on 'Liberation Theology'

Theologians Defend Besieged Backers of Church Involvement in Politics

By Kenneth A. Briggs
New York Times Service

NEW YORK — A group of Roman Catholic theologians from Europe, Latin America and the United States has issued a statement that defends recent theological movements that call for church involvement in politics, especially in the Third World.

The statement Sunday also protested efforts on the part of high church officials to criticize and blunt these movements, known collectively as the "theology of liberation," by discrediting their spokesmen.

Though the officials are not named, a thinly veiled allusion to Cardinal Joseph Ratzinger, the Vatican cardinal in charge of doctrine, appears in the text. The cardinal's views usually reflect those of Pope John Paul II, who has often addressed the themes that are central to the movement, sometimes criticizing aspects that he considers too political.

The statement is one of the strongest challenges to the Vatican in many years from Roman Catholic theologians. During the papacy of John Paul II, the trend has been away from such dissent.

In his trips to Latin America and in various addresses, the pope has criticized some aspects of liberation theology that use Marxist

principles to analyze social and political problems.

The pope has also warned priests against taking part in politics. At the same time, however, the pope has underscored themes such as human rights and economic justice that seem consistent with the themes of the liberation theologians.

Cardinal Ratzinger, head of the Congregation for the Doctrine of the Faith at the Vatican, fueled the latest round of debate over the movement by strongly attacking liberation theology last winter. This spring he called on Latin American bishops in Bogotá to press further against certain forms of the theology that he said replace church teaching with Marxist ideology.

Soon after that, the bishops of Peru stepped up an investigation of the works of Dr. Gustavo Gutiérrez, a leading liberation theologian. No charges have been made against him.

"Within the church," the statement said, "while some holding positions of authority have sometimes supported and accepted these movements of liberation, we have also seen people defamed, forbidden to teach theology, rendered suspect of infidelity to the Christian message, and accused of substituting ideologies for the gospel, under the influ-

ence of Marxism. Against such procedures we register a strong and vigorous protest."

The statement continued: "As these movements are a sign of hope for the whole church, any premature intervention from higher authorities stifles the spirit, which animates and guides local churches. We express our strong solidarity with these movements of liberation and with their theology. We protest against the suspicious and unjust criticisms registered against them."

Among members of the unofficial liberal group, called Concilium, are some of the church's most widely discussed thinkers. Many members of the Concilium, which has been referred to as the "loyal opposition" for its divergence from official Vatican views over the course of its 20-year existence, have been investigated for their theology by the Vatican or local hierarchies.

They include Dr. Gutiérrez and the Rev. Edward Schillebeeckx of the Netherlands, neither of whom has been disciplined by the Vatican; the Rev. Dr. J. Polier of France, one of whose books on liberation was censured by the Vatican; and the Rev. Hans Küng of West Germany, who was stripped of his license as a professor of Catholic theology by the Vatican.

(Continued on Page 2, Col. 5)

Radio Annie: Nazi Retreat Gave Allies a Propaganda Prize

By Thomas O'Toole
Washington Post Service

WASHINGTON — Late in 1944, when the Germans suddenly evacuated Luxembourg, they left intact a prize for the Allies: the powerful transmitter of Radio Luxembourg, soon to become known as Radio Annie.

In 127 consecutive nights of broadcasting, according to CIA documents released last week, Annie "deceived and confused the enemy, set German against German" and "breached the fortress Germany from within."

Project Annie, the plan for Radio Annie, was described by the CIA as one of the most brilliant successes of the Office of Strategic Services, which was the U.S. intelligence-gathering agency during the war. Annie was estimated to have half the German Wehrmacht as part of its nightly audience as the Allies advanced toward the Moselle and Rhine rivers.

After the Germans fled Luxembourg, the OSS established a second frequency while keeping Radio Luxembourg on the air. Under the plan, Radio Luxembourg would go off the air as usual at midnight, and Annie would come on at 2 A.M. at the different frequency. Annie stopped each day at 6:30 A.M.

before Radio Luxembourg resumed broadcasting at 7. Annie went on the air in December, 1944, as the Allies moved toward the Moselle and Rhine rivers. For almost two months, Radio Annie broadcast, with apparent objectivity, military and civilian news of the war in the accents of the Rhine region.

"There were Germans who thought it came from bunkers behind German lines because at times it was technically imperfect, and there were Germans who thought Annie was an underground station and were eagerly awaiting its political climax," the CIA history recounts. "A few smart ones suspected Annie might be the enemy, but the accurate and sympathetic character of its news presentation" threw off even the smart ones.

From questioning of German prisoners, the OSS estimated that more than half the Wehrmacht was a part of Annie's audience.

"The men of the Wehrmacht enjoyed '1212,' a captured German officer was quoted as saying, in a reference to Annie's frequency, 'because it was not sophisticated like the overt British radio propaganda and had nothing of the boring dignity of Radio Luxembourg. It used plain, simple language that intentionally abstained from name-calling and editorializing, plus everything was accurate."

But as the Allies broke through the German defenses at the Moselle River and crossed the Rhine, the CIA history says, "Annie promptly went into action."

"She put armored columns ahead of themselves, told of lost battles that had not taken place, imaginary surrenders and evacuations and of the inefficiency and treason of Nazi Party bosses. And all this never in a preaching style but always with the undertone of deep, felt worry over the future of her beloved Rhineland."

Annie, the CIA says, "created a hypothetical movement of resistance, joined forces with it and called for the destruction of the Nazi Party and for immediate peace."

At one point, Annie reported that the Nazi spokesman and Luftwaffe field marshal, Hermann Goring, had evacuated his farm and given tons of excess produce and animals to local farmers.

Right after that broadcast, the CIA account says, many civilians, apparently infuriated that Goring had so much while they had so little, began looting German trucks carrying food to front-line troops.

"Annie caused panics in Nuremberg and Ludwigshafen by reporting tanks to be on their way when there were none," the CIA history says. "Highways by the

so crowded with refugees that the Germans were unable to move supplies to their lines.

The documents released last week also described another important U.S. wartime venture in psychological warfare, code-named "Skorpion West."

That plan was devised after the OSS intercepted a Nazi leaflet aimed at raising troop morale. The OSS turned its message around and dropped millions of the bogus leaflets by plane over German lines.

The German leaflets touted the invincibility of the Nazi army and its leaders' superiority. At the top and bottom was the message: "If you want to know the truth, comrades, ask the Skorpion."

Once the Allies moved inland from the beaches of Normandy in 1944, the Germans were forced to distribute Skorpion from the air. Copies of Skorpion blew into the hands of the Allies, who reproduced the leaflets but changed their slant.

Shortly after D-Day, the Allies dropped three messages. The first questioned Nazi invincibility. The second questioned German military leadership. The third warned that an Allied offensive would come before winter and that "we must expect large stretches of German soil to be occupied."

INSIDE

■ A shortage of U.S. teachers is forecast in the future because of rising enrollments. Page 3.

■ Both parties are making efforts to elect women to the U.S. Senate. The odds for election remain long. Page 3.

■ Japan is a test case for the gerontologic future. Page 6.

■ Michel Foucault, French structuralist philosopher and historian, dies in Paris. Page 6.

BUSINESS/FINANCE

■ Argentina obtained a 30-day reprieve on repayment of a \$100-million loan from four nations. Page 9.

TOMORROW

■ Children grow up quickly in New York's Times Square, where sex and drugs are bought and sold on every grimy corner.

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Jackson Meets Salvadoran Rebels, Will Try to Set Up Cease-Fire Talks

By Juan Williams
Washington Post Service

PANAMA CITY — Salvadoran rebel leaders are willing to go to El Salvador to hold talks on a cease-fire if the Rev. Jesse L. Jackson can win assurances from the government that the military will not seek to arrest "or intimidate" them, according to Mr. Jackson, who has met with the rebels here.

The cease-fire talks would be a first step toward preparations for full-scale negotiations between the government and a coalition of guerrilla groups to end fighting in El Salvador, Mr. Jackson said Sunday. He was to fly Monday to San Salvador to meet President Jose Napoleon Duarte.

President Duarte has insisted that the rebels lay down their guns before talks begin. The rebels have refused saying they fear an attack by the Salvadoran Army.

Rebel leaders attending a news conference Sunday with Mr. Jackson said he might be able to act as an intermediary to arrange condi-

tions for a cease-fire with Mr. Duarte.

The Salvadoran president, however, was planning to give the U.S. presidential candidate's half-day visit low-key treatment. It was considered unlikely that Mr. Duarte would help provide his visitor with a political coup because Mr. Jackson has harshly criticized the Central American policy of President Ronald Reagan, a staunch backer of Mr. Duarte.

In addition, Mr. Duarte has characterized Mr. Jackson's government as "a puppet regime" and said his recent election was "a sham" because of U.S. aid to the candidate.

The rebel leaders said they agreed with Mr. Jackson that a cease-fire must be invoked but said they first want "direct dialogue" with Mr. Duarte on conditions for such a step.

"We are therefore considering this proposal [for cease-fire talks] with extreme seriousness and responsibility," said Ruben Zamora, leader of the Democratic Revolutionary Front, the political wing of

five of the Salvadoran guerrilla groups. The front has previously asked the Costa Rican government and El Salvador's Roman Catholic archbishop to intercede with Mr. Duarte.

Mr. Zamora earlier expressed his reservations about going to El Salvador for talks by making a slashing motion across his neck to show what he thinks would happen to the rebels if they surrendered their guns to the military. Former President Alvaro Magaña said last year that any guerrillas entering the country for talks or any other purpose would be arrested.

Mr. Zamora said he remains skeptical that Mr. Duarte will make any concessions that would guarantee the leftists safety from the military and allow the cease-fire talks to take place. But he praised Mr. Jackson as "a man working for peace."

"At some point there will be a miracle, maybe a Jesse Jackson, who will have the strength to break through this impasse," Mr. Zamora said. "We hope that he will have success with Duarte."

Mr. Duarte, who said during a recent visit to the United States that he was willing to hold talks with the rebels, has said since then that he needs between six months and a year to "create the climate" for talks by halting death-squad activity and reassuring the armed forces and business community.

The rebels — members of an alliance of the Democratic Revolutionary Front, a political group, and the Farabundo Marti National Liberation Front, the guerrillas fighting in El Salvador — had two unsuccessful meetings with Salvadoran government officials last year.

However, the rebels recently have recognized Mr. Duarte as the official spokesman of El Salvador's government.

D'Aubuisson to See Senators
Roberto d'Aubuisson, the rightist Salvadoran politician who is alleged to have been involved in a plot to assassinate the U.S. ambassador to El Salvador, will meet with senators in Washington this week, a congressional aide has told The New York Times.

The aide, James P. Lucier, chief legislative assistant to Senator Jesse Helms, Republican of North Carolina, said Sunday that all 100 senators had been invited to meet with Mr. d'Aubuisson. A reception on Capitol Hill has been scheduled for Wednesday, Mr. Lucier said.

He said the visit was planned before reports came to light of a threat on the life of Thomas R. Pickering, the U.S. ambassador.

Two sources in El Salvador and a senior administration official in Washington have said Mr. d'Aubuisson was involved in a plot to kill the ambassador. Mr. d'Aubuisson has not been reached for comment on the reports.

Meanwhile, the White House spokesman, Larry M. Speakes, refused Monday to comment on reports of the alleged plot. The Associated Press reported in Washington.

However, he confirmed that President Reagan had sent Vernon A. Walters, a retired lieutenant general, to El Salvador last month as a special emissary to confer with officials.

Mr. Speakes said General Walters had met with President Duarte and others whom Mr. Speakes refused to identify.



Youths seeking a Europe without frontiers appeared Monday at the Fontainebleau meeting.

What Others in EC See as Pettiness, British View as a Fundamental Issue

By Bob Hagerty
International Herald Tribune

FONTAINEBLEAU, France — Roy Jenkins, a leader of Britain's Social Democratic party, recently urged Prime Minister Margaret Thatcher to look beyond "the ledgers of grocery shop bookkeeping" to find a solution to the European Community's budget dispute.

Many of Mrs. Thatcher's European colleagues would agree that pettiness is preventing the EC from reaching an accord on reducing what is generally acknowledged to be an excessive burden on Britain. The equivalent of \$315 million separated Britain from the other nine members at the European Council meeting in Brussels in March. This is only about 2 percent of the budget, but compromise eluded the council, as it had in Athens in December.

What others see as petty, the British government sees as a funda-

mental issue that must be settled before the EC can get on with other matters.

Britain wants a formula to determine its refund from the EC each year. Such a formula would be designed to eliminate the annual haggling that has soured council meetings for years.

"We need a lasting solution," a British government spokesman said Monday.

Although Britain's per-capita gross domestic product ranks seventh in the EC, the British contribution of about \$2.5 billion yearly is second only to West Germany, with an annual contribution of around \$3.1 billion.

All EC countries contribute import duties and a share of value-added tax. But most of them pay far less than they get back through farm price supports. Only Britain and West Germany are large net contributors. France's contribution is roughly equal to what it receives.

EC finances are not designed to provide a perfect balance between costs and contributions for each country, and the British assert that they have come a long way toward compromising on their complaint.

Mrs. Thatcher used to argue that Britain's contributions should be in broad balance with its receipts. Now she accepts that Britain will remain a modest net contributor, at least for the next few years.

Although the differences over the size of next year's refund to Britain are small, the exact formula is important because it will help determine future refunds.

The French have attempted to play down the idea that the meeting was a failure if the ministers agreed to solve the British complaint.

The British and many others insist that EC finances must be put in order before the community can seriously discuss ways to expand cooperation.

EC Ministers Discuss British Issue

(Continued from Page 1)

mentioned, including Denmark's deputy prime minister, Henning Christophersen. However, West Germany's chancellor, Helmut Kohl, favors Kurt Biedenkopf, a former general secretary of Mr. Kohl's Christian Democratic party.

Although West Germany, because of its economic importance in the EC, can be virtually assured of its choice, several EC leaders and senior government officials have expressed reservations about Mr. Biedenkopf, a former professor and business leader, particularly about his ability to lead the commission at a time of crisis and possible expansion of EC activities.

Mr. Mitterrand, at the start of the meetings Monday, said that re-launching Europe by expanding political, technological and foreign policy cooperation should be a top priority at the summit conference.

He again touted his proposal, made in Strasbourg on May 24, for a conference to draft a new treaty on EC cooperation.

Talks between EC heads of government Monday evening were expected to focus on East-West relations, the Middle East and Latin America. But it was not immediately clear what initiatives, if any, might emerge.

French officials said that Mr. Mitterrand had "encouraging" talks with Soviet leaders last week and that the results of his trip and Mr. Kohl's recent trip to Budapest would be discussed.

What is expected to become a controversial issue is West Germany's insistence that it be allowed to subsidize its farmers to offset an agricultural change made at the last summit meeting held in March in Brussels.

Bonn had already been authorized to pay a subsidy equal to 3 percent of the value of farm sales from Jan. 1, 1985, to compensate for dismantling a system of border taxes and subsidies that had favored West German farm exports.

But Mr. Kohl, who is committed to paying German farmers to offset the move, had asked to advance the date to July 1, 1984, and increase the payment to 5 percent. The EC Commission ruled last week that it was illegal.

Mr. Kohl nevertheless intends to proceed with seeking support, and he is expected to meet with stiff resistance from several EC leaders and the commission.

The Washington Times

Adds 6 Foreign Bureaus

WASHINGTON — The Washington Times, a two-year-old conservative morning newspaper in the U.S. capital, announced Monday that it will add bureaus in Japan, Thailand, Kenya, South Africa, Canada and Argentina to its three foreign correspondents already operating in Western Europe, the Middle East and Latin America.

The Times also announced the establishment of a Southern California printing and distribution point for its satellite-transmitted national edition. It has one West Coast distribution point in the north of the state.

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WORLD BRIEFS

Bonn Bars Entry to E. Berlin Mission

BERLIN (Reuters) — West Germany barred East Germans Monday from entering its mission in East Berlin, where about 50 people have taken refuge in an attempt to emigrate.

Hans Otto Brauning, head of the mission, said that "we are no longer in the position of giving refuge to visitors to the building." He said visitors were not being allowed inside but were being dealt with in a small entrance hall.

Mr. Brauning said the restriction on visitors was an independent decision of the mission and was not part of a deal with East Germany to allow the would-be emigrants to go to the West.

Shiites Free Libyan Envoy in Beirut

BEIRUT (Reuters) — Militiamen of the Shiite Muslim Amal group Monday freed a West Beirut hideout of a Shiite extremist group and freed a Libyan diplomat kidnapped Saturday, a spokesman for Amal said.

Militia sources said the diplomat, Mohammed Mouhraby, was being escorted to the Syrian frontier Monday after Libya had agreed to the kidnappers' demand that four Libyan diplomats leave Lebanon within 48 hours. The senior Libyan diplomat in Beirut said negotiations were under way with Amal leaders to extend the deadline.

The speed of Mr. Mouhraby's release by Amal militiamen appeared to indicate the embarrassment of Amal's leaders, including its chief, Nabih Berri, who is now a government minister, over the kidnapping. Lebanese Shiites, particularly Amal members, have had tense relations with Libya because of the disappearance in 1978 of their spiritual leader, Imam Musa Sadr, founder of the militia, during an official visit to Tripoli.

Striking British Miners Block Train

LONDON (AP) — Picketing miners on Monday halted a train loaded with iron ore as it approached a South Wales steel plant.

A 30-car train carrying 2,000 tons of ore was stopped by a six-member picket line. The locomotive engineer and brakeman declared they would not cross the line. Earlier, two trains pulled into the Llanwern steelworks. One arrived before the picketing started, and the second rolled past the pickets.

Carrington Takes Up NATO Post

BRUSSELS (Reuters) — Lord Carrington of Britain took office Monday as the sixth secretary-general of the North Atlantic Treaty Organization. He said he was putting U.S.-European understanding and East-West dialogue at the top of his agenda.

The 65-year-old former foreign and defense secretary said on arriving to take up his new post at NATO headquarters that he thought the alliance was "in pretty good shape."

"Of course there are some difficulties," Lord Carrington said in a radio interview. "It would be foolish to pretend there were not. But I don't think they're terminal, grave difficulties."

Cambodians Say Foe Sends Troops

BANGKOK (Reuters) — About 3,000 fresh Vietnamese troops have been sent to replace some of the estimated 10,000 soldiers Hanoi has started to withdraw from Cambodia, Khmer Rouge guerrillas said Monday in a broadcast monitored in Bangkok.

A senior Thai military officer said earlier that Thai intelligence had noted the arrival in Battambang province in western Cambodia late last month of about 2,000 fresh troops from South Vietnam.

The Khmer Rouge, as it has on previous occasions, said Vietnam's claim of a partial pullout was a trick. It was the third such withdrawal to be announced since Hanoi invaded Cambodia in 1978. Western analysts say Vietnam has 160,000 to 170,000 troops in Cambodia.

Nicaragua, U.S. Meeting in Mexico

MEXICO CITY (AP) — Representatives of the United States and Nicaragua scheduled a meeting Monday in the Pacific coast city of Manzanillo, Mexico, a U.S. diplomat in Nicaragua confirmed.

The U.S. ambassador to Nicaragua, Harry Bergold, left Sunday for Mexico "for consultations with Nicaraguan representatives who will attend the talks," the diplomat said.

He said the talks would extend until Tuesday if something positive came out of the first meeting. The U.S. secretary of state, George P. Shultz, said the Nicaraguan junta coordinator, Daniel Ortega, agreed June 1 to hold the talks.

U.S. Court Overturns Pollution Ruling

WASHINGTON (UPI) — The U.S. Supreme Court ruled Monday in favor of a Reagan administration effort to relax certain national air pollution regulations.

In a defeat for environmentalists, the justices struck down a ruling that said that the Environmental Protection Agency violated the Clean Air Act when it tried to change emissions rules primarily affecting the nation's steel and petrochemical plants.

The 6-0 ruling affects federal regulation of such major air pollutants as sulfur dioxide, which has been identified as a cause of acid rain, and ozone and nitrogen oxides, which cause smog and soot and dust that are linked to respiratory illnesses. Justices Thurgood Marshall, William Rehnquist and Sandra Day O'Connor did not take part.

In another action, the court said undocumented alien workers were protected by federal labor laws from being fired for participating in union activities.

India Reopens Sikhs' Golden Temple

NEW DELHI (UPI) — The Golden Temple of Amritsar was opened Monday for the first time since June 6 when army troops stormed the 72-acre site of the holiest of Sikh shrines to rout separatist Sikh guerrillas.

About 10,000 Sikh and Hindu pilgrims visited the temple. The temple complex and most of Amritsar have remained quiet under tight army control following the assault, in which hundreds of Sikh guerrillas and army troops died.

Meanwhile, officials reported that five people were killed and several others injured in terrorist attacks elsewhere in Punjab state since Sunday night as army troops continued sweeps for holdout Sikh militants.

Compromise Sought in German Strike

LUDWIGSBURG, West Germany (AP) — The chief mediator in the British mine dispute, George Leber, said Monday he planned to offer a compromise plan to settle the seven-week conflict over a shorter work-week in the West German metal industry.

Mr. Leber was to present the proposal to union and management Monday night and that they had five days to consider it. He described it as "probably acceptable to both sides" and said he hoped it would settle postwar Germany's biggest and longest labor conflict.

About 400,000 metalworkers have been idled by strikes, lockouts and layoffs in a dispute that has paralyzed West German auto production.

Armenian Group Threatens Olympics

PARIS (Reuters) — Armenian guerrillas have threatened to attack governments, organizations and companies helping Turkey's team at the Los Angeles Olympics next month. The threat was made in a letter received by a news organization here Monday.

The typewritten letter, signed ASALA, for Armenian Secret Army for the Liberation of Armenia, was mailed Friday in the Paris area.

It is one of the most prominent of the Armenian guerrilla groups that have killed about 40 Turks and several foreigners in a decade of attacks on Turkish targets around the world.

U.S. Court Rejects Call for Prosecutor

WASHINGTON (Combined Dispatches) — The U.S. Court of Appeals ruled Monday that a lower federal court judge erred when he ordered the attorney general to take steps to appoint a special prosecutor to investigate how Ronald Reagan's 1980 presidential campaign obtained briefing papers from the Carter White House.

In an 8-0 decision, the appeals court said the district court lacked jurisdiction to adjudicate the claim. It said: "We are of the conviction that Congress specifically intended in the Ethics in Government Act to preclude judicial review, at the behest of members of the public, of the attorney general's decisions not to investigate or seek appointment of an independent counsel with respect to officials covered by the act."

The ethics law calls for the attorney general to ask a special court for an independent counsel when there are substantial allegations of wrongdoing against high-level government officials. U.S. District Judge Harold H. Greene ruled last month that Attorney General William French Smith had seven days to seek a special prosecutor to investigate allegations that Reagan campaign officials illegally obtained documents from President Jimmy Carter's staff.

For the Record

The U.S. Senate majority leader, Howard H. Baker Jr., a Republican, said Monday that he hoped the Senate could complete work on the \$61-billion tax and budget deficit bill by Wednesday.

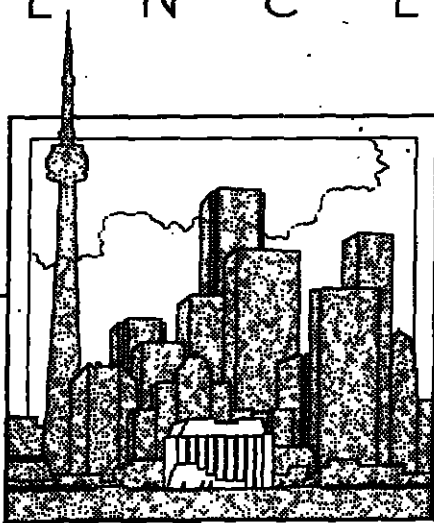
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Women Get More Help In Races for U.S. Senate; Odds Still Against Them

By Alison Muscatine

Washington Post Service

WASHINGTON — Conscious of the growing importance of the women's vote, the Republican and Democratic parties are making significant efforts this year to elect women to the Senate. But of the nine women nominated, only the lone incumbent is favored to win.

Although both parties are hoping that several women will score upsets, only Senator Nancy Landon Kassebaum, Republican of Kansas, appears to be a likely winner.

Senator Kassebaum and Senator Paula Hawkins, Republican of Florida, who is not up for re-election this year, are the only women among the 100 members of the Senate.

The other eight women, three Republicans and five Democrats, running this fall face well-financed incumbents and are considered long shots.

But even with odds against the women, the Democratic and Republican parties are breaking with tradition and pledging early money and technical assistance to them this year.

The Republican Party's national office sent out messages to state party leaders saying that women candidates were important to the party's image due in part to President Ronald Reagan's low standing with women in public opinion polls.

The Democrats are fielding woman candidates for the Senate in Minnesota, Maine, Oregon, New Mexico and Virginia. Senator Lloyd Bentsen, Democrat of Texas and chairman of the Democratic Senatorial Campaign Committee, said last week that the committee has allocated \$86,000 so far to these races.

"We don't have as much money as the Republicans, but we have given a higher percentage," he said. The woman earlier thought to be one of the Democrats' most hopeful Senate candidates, Nancy Dick, Colorado's lieutenant governor, seems to be fading in her attempt to be nominated in September.

At the top of the Democratic list is Minnesota's three-term secretary of state, Joan Groves. She hopes to capitalize on a ticket expected to be headed by a fellow Minnesotan, Walter F. Mondale, the apparent Democratic presidential nominee.

On the Republican side, the task of finding women senatorial candidates for 1984 began more than a year ago and is partly an attempt to counter Democratic stress on Mr. Reagan's lack of support among

women, who comprise more than half the electorate.

The Republican Party has amassed an \$8-million campaign pool, twice that of the Democrats, and has promised full funding to all its women running for the Senate on Nov. 6.

More significantly, under a directive issued in August by the Senate campaign committee chairman, Richard G. Lugar, Republican of Indiana, the party broke precedent by giving women Senate candidates \$15,000 each to use in their primaries against other Republican contenders.

In addition to Mrs. Kassebaum, Republican women running for the Senate are:

• Nancy Hoch, a Nebraskan who is a member of the state Board of Regents. She is thought by national party officials to hold the most promise of an upset in her race against Senator J. James Exon.

• Mary V. Mochary, mayor of Montclair, New Jersey, who was recruited after a more prominent Republican in the state, Representative Marge Roukema, declined to challenge Senator Bill Bradley.

• Barbara Leonard of Rhode Island, who is seeking public office for the first time. Mrs. Leonard said last week that she was having difficulty raising money, but the Republican Senate committee has pledged her campaign \$100,000.

The five Democratic women running for the Senate are:

• Mrs. Groves, who won her party's endorsement over three male contenders at the Minnesota state Democratic convention.

• Elizabeth Mitchell, state House majority leader in Maine, who was drafted for the race in January when Governor Joseph E. Brennan, a Democrat, decided not to run against Senator William S. Cohen.

• Margie Hendricksen, an Oregon state senator from Eugene, who is challenging Senator Mark O. Hatfield, an incumbent for 12 years and chairman of the Appropriations Committee.

• Judy Pratt, a state legislator in New Mexico who is in an uphill fight against Senator Pete V. Domenici, chairman of the Budget Committee.

• Edythe C. Harrison, who won the nomination in Virginia in May, despite a long search by party leaders to find another candidate to run against Senator John W. Warner. Although an underdog, Mrs. Harrison is known for tenacity and tireless campaigning and may be boosted by thousands of newly registered black voters.



A group marches in San Francisco for treatment of AIDS, the often fatal breakdown of the immune system that has included large numbers of homosexuals among its victims.

Homosexuals March in Several U.S. Cities

United Press International

NEW YORK — The 15th anniversary of the 1969 Stonewall riots, which marked the beginning of the modern gay rights movement, drew thousands of people to marches in cities across the United States, from San Francisco, where women on motorcycles led the parade, to New York, where marchers laid a wreath at St. Patrick's Cathedral to protest Roman Catholic doctrine on homosexuality.

The parade in New York drew an estimated 20,000 marchers, who demonstrated at the cathedral before heading to the site of the Stonewall Inn in Greenwich

Village, where a police raid on June 18, 1969, led to clashes that some homosexuals regard as the beginning of activism for homosexual rights. The bar is now closed.

The marchers chanted "Shame" at the cathedral, in protest of Archbishop John J. O'Connor's refusal to sign a pledge that the church would not discriminate on the basis of sexual preference. Archbishop O'Connor has said that to make such a promise would violate Catholic teachings opposing homosexuality.

In San Francisco, 200 women

rode motorcycles to lead 75,000 to 90,000 people in the 13th annual Gay-Lesbian Freedom Day parade.

Parades also attracted thousands of people in Chicago, Denver, Minneapolis, Seattle, St. Louis, Missouri; Columbus, Ohio; Des Moines, Iowa; and Hartford, Connecticut.

In some cities, including New York, anti-homosexual protesters also turned out.

In Columbus, police reported verbal confrontations as 4,000 marchers were met by representatives of fundamentalist groups.

U.S. Criminals Given Uneven Punishment

By Mary Thornton

Washington Post Service

WASHINGTON — A new study by the U.S. Justice Department has found that persons imprisoned for the most serious crimes tend to serve a smaller portion of their sentences than those incarcerated for less serious ones.

The study, based on a sample of 12 state prison systems, also found large disparities among states for time spent in prison for similar crimes.

For example, the study found that a person convicted of criminal homicide spent an average of 39 months in prison in Oklahoma, compared with 74 months in Delaware. The average time served for rape ranged from 26 months in Delaware to 64 months in Maryland.

The study found that the average prison stay for convicted felons in the 12 states ranged from about 18

months to three years. For persons sentenced for the most serious crimes, average incarceration ranged from two-and-a-half to four years.

"Little is known about the time actually served in prison as opposed to the length of the sentence," said Steven R. Schlusinger, director of the department's Bureau of Justice Statistics, which prepared the report.

The report found that the longest periods of imprisonment were for criminal homicide and rape, while the shortest were for larceny and drug offenses.

"The study found that criminals 'imprisoned for the most serious crimes serve the smallest percentage of their sentences.' For example, a car thief on the average serves twice as large a percentage of his sentence as a convicted murderer, according to the report.

The report said the difference may be due in part to parole policies, time taken off sentences for good behavior in prison, and the fact that persons convicted of serious crimes may spend more time in prison awaiting trial than less serious offenders with lower bail.

States included in the study were Delaware, Illinois, Iowa, Maryland, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, Washington, Wisconsin and Wyoming.

U.S. Liberals Elect Leader

United Press International

WASHINGTON — Representative Barney Frank, Democrat of Massachusetts, was elected president Saturday of Americans for Democratic Action, a liberal political group with 100,000 members. Mr. Frank, 44, is serving his second term in the House of Representatives.

Major U.S. Teacher Shortage Looms

Children of Baby Boom Generation May Strain the System

By Edward B. Fiske

New York Times Service

NEW YORK — After more than a decade in which the job prospects for education graduates were bleak, the United States may be headed for a major teacher shortage.

There is already a shortage in math, science and vocational education because of higher salaries offered by industry. Urban districts cannot find enough teachers for public schools in disadvantaged neighborhoods.

Five years from now, however, the shortages may be felt across the board in elementary schools. By the following year they could start to affect high schools as well.

The National Center for Education Statistics, the research arm of the U.S. Department of Education, estimates that as early as next year, the supply of new teachers will no longer meet demand. Based on current trends, three jobs will be available for every two education graduates by the early 1990s.

The shortage is developing at a time when school officials, under pressure to improve academic quality, are trying to be more selective about whom they hire.

The shortage is rooted in demographics. In the late 1970s, after declining for a decade and a half, the number of babies born began to increase as more women of the baby boom generation started having children. Kindergarten classes have been getting bigger since 1982, and school enrollment is expected to increase, grade by grade, for the foreseeable future.

Elementary school enrollment will rise from 30.2 million this September to 34.1 million in 1992, according to projections by the National Center for Education Statistics. Although high school enrollment will continue to decline from 13.7 million this fall until it reaches a low of 12.1 million in 1990, it will then begin to rise.

The number of teaching jobs will rise to meet these growing enrollments.

But there has been a declining supply of new teachers. With job prospects in recent years so dismal, the number of college graduates in education has plummeted from 317,000 in 1972 to 146,000 this year. Between 1970 and 1982, the proportion of college students majoring in education dropped from just over one-third to 15 percent.

Projections of a coming teacher shortage are based on a number of assumptions, some of which can change. If more states follow the lead of California, Tennessee and Florida in raising salaries, more students may be attracted to teaching. Last fall, California began raising the starting salaries of teachers

30 percent over three years, to a maximum of \$18,000 by 1986.

The National Center for Education Statistics estimates that a gradual increase in the percentage of education majors from 15 percent to 21 percent by 1992 would "probably be sufficient to offset an overall shortage."

There are some signs that a turnaround may be under way. Pennsylvania State University, for example, recently reported that it had admitted 540 new education students for next year, a 28-percent increase over last year and the first big increase in 12 years.

New Jersey and other states are trying to attract liberal arts graduates into teaching by easing education course requirements. New York City has temporarily waived its requirement of six education credits in order to fill the 3,500 vacancies it expects this fall.

Although educators hope such efforts will help avert the shortage,

they say students often make their career choices based on present demand rather than future needs.

"Everyone reacts to the job market they see and then gets in the long line," said Raymond Castillo of the career services office at Arizona State University in Tempe, Arizona.

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The Strikes in Europe

The British miners' strike, now in its fourth month, is a direct challenge to the authority of an abrasively conservative prime minister. The German metal workers' strike is a different kind of politics. It is over social policy, and the response to an economy in which a diminishing number of people can produce a rising standard of living. To find anything in American labor history of importance equal to these two, you would have to go back nearly four decades to the coal and steel strikes of the Truman administration.

Since the British coal mines are nationalized, any miners' strike is against the government. This one is an unusually explicit test of wills between Prime Minister Margaret Thatcher's Conservative cabinet and the radical leadership of the mine workers' union. Events have been building toward it ever since an earlier miners' strike, a decade ago, destroyed an earlier Conservative government.

The immediate issue in this strike is the government's decision to close some grossly unprofitable mines. But behind that lies the determination of the mine workers' leadership to have it out with Mrs. Thatcher. The ultimate issue here, quite explicitly, is the distribution of political power in Britain.

In Germany, it is a strike for a 35-hour week. The idea is to share the work in a country where the unemployment rate was under 1

percent in the early 1970s, but is over 9 percent now. Since the union wants the shorter hours with no cut in pay, it is turning into a long strike. The government is trying to stay out of it, but it knows that the settlement of this strike will set national economic policy in a larger sense than anything that it is likely to be able to do itself in the next several years.

The emotional force behind both of these strikes is the delayed reaction to a period of high unemployment in Europe that has been running for several years and gives no sign of ending. European unemployment is different from the U.S. kind. Even during the past recession, Americans who lost their jobs were usually back on a payroll in a relatively short time. But the European countries are accumulating large populations of people who appear to be more or less permanently unemployed, and youngsters who are out of school but have never had steady work. Not only are the European unemployment rates now higher than those here, but the proportion of long-term unemployed is dramatically higher.

The inability to do anything about that raises, within European labor unions, questions about their own future, and whether they are in decline. The outcomes of these strikes will matter for reasons that run well beyond wages and hours.

—THE WASHINGTON POST.

In the Soviet Paradise

By now it is no surprise that the Soviet Union, with its decades of experience in romancing Western visitors, should receive a delegation of the U.S. National Council of Churches, give its members the standard tour, and evoke from them generous approval of the status of religion in the Soviet Union. This is, after all, one of the ways the approved Soviet church leaders earn their keep. Invariably, some who participate in missions such as the recent council trip do so in the conviction that they are breaking through to the light. Others understand that their hosts are trying to manipulate them, but find that an acceptable price for the opportunity to reach out to the Soviet religious community, which, in any event, has its own delicate agenda.

Still, one could wish the delegation had shown better judgment. It was not just that its leaders, in statements they made at a Moscow press conference, ignored the record of the Soviet state's outlawing and persecution of all independent forms of religious activity. It was in particular the group's response to an incident that took place before its eyes at Moscow's Church of Evangelical Christian Bap-

tists. Two banners were unfurled, one reading "This is a persecuted church." A scuffle ensued in which "six or eight people were down on the floor," according to a witness, and the demonstrators were hustled out.

At the press conference, The New York Times reported, delegation leaders "voiced irritation that the harmony of their visit had been marred when two demonstrators, demanding religious freedom, held up banners during a Baptist church service." Bruce Rigdon of the McCormick Theological Seminary in Chicago was quoted as saying: "They were asked to leave and they were conducted out by members of the congregation. We believe they are free. I understand that in the United States a situation like this would have been handled by the police."

Church people, like others visiting the Soviet Union, have a set of complex obligations to their hosts and to the direct objects of their solicitude. Surely one of those obligations goes to fellow believers who, for having the immense courage to convey a message of truth, are trashed by the police in their presence.

—THE WASHINGTON POST.

Other Opinion

Getting the EC Back Together

The time has come when the European Community leaders must settle their differences over the British budgetary problem. The argument has been elevated into a doctrinaire struggle far exceeding the real size of the negotiating gap. The negative consequences of yet another failure risk being far more serious than anyone is publicly admitting.

Continued deadlock (prevents) the Community from making those positive moves forward on a number of fronts which are now becoming imperative. One way or another this week's meeting must be a turning point — for good or ill.

Objective incentives for a more politically united Community are not lacking: European-American tensions, the lamentable state of East-West relations, the pressing need for Europe to take more responsibility for its own security and defense. The uncertain quantity is one of national attitudes.

—Financial Times (London).

NATO's Uncertain Future

Lord Carrington, in taking over as NATO's chief executive [today], becomes the fifth secretary-general in the history of the alliance and the one who faces the trickiest accumulation of tasks. He has to try to balance rival political and strategic perceptions — and, in the case of Greece and Turkey, rival territorial ambitions — in such a way that the alliance not only goes on increasing in strength but presents a common face to its Soviet adversary in the process.

Nor must one forget his principal domestic task, which is to shake up — and if possible prune — a NATO bureaucracy which has grown both fat and inefficient during the indulgent 13-year reign of his predecessor, Dr. Joseph Luns. The most urgent need is to restore America's confidence in its European allies. They are mostly falling well behind on agreed defense spending commitments. Last

week's U.S. Senate threat to cut American troop strengths in Europe unless these targets were met can be regarded as a warning shot across West European bows.

—Sunday Telegraph (London).

The distinction between loyalty to the alliance and subservience to U.S. interests is one that Europeans sometimes find difficult to make and one to which the Western European Union is giving increasing attention. If a more independent role for Europe leads to larger defense budgets they will have to be accepted, but total military independence from the U.S. will remain for a long time unattainable and the partnership will not work if on our side it is invariably seen as grudging.

—The Guardian (London).

The Catastrophe of Latin Debt

The Latin American debtors' conference which closed Friday in Cartagena, Colombia, issued a joint statement which was milder in tone than expected.

The accumulating debts of the developing nations are taking on catastrophic proportions. Debtor nations are increasingly rebelling against the austerity demanded of them by their creditors, the advanced nations.

There is no way out of this problem except through cooperation between the developing countries and the advanced nations, says former Secretary of State Henry Kissinger.

The high interest rate is making it even more difficult for the developing countries to repay their debts. It is absolutely essential for the U.S. to start trying to lower its high interest rates by drastically reducing its budget deficit. Banks which lent without restraint in the past should reconsider their lending policy. They should desist from charging high interest by taking advantage of the weakness of debtor countries and should also think of shouldering some burden, such as shelving interest.

—The Yomiuri Shinbun (Tokyo).

FROM OUR JUNE 26 PAGES, 75 AND 50 YEARS AGO

1909: The Corporate Income Tax Bill
WASHINGTON — The Administration took a plunge into the anti-corporation maelstrom [on June 25]. It proposes to sink or swim on the outcome of the new tax proposal. The amendment launched in the troubled waters of the Senate by Senator Aldrich imposes a tax of two percent on the net income of all corporations exceeding \$5,000. The amendment empowers the collector, when a return is not made or is suspected to be fraudulent, to examine the books and resort to the courts if necessary. According to Senate leaders, the ways are greased for railroad the amendment through. The Democrats show lukewarmness, while insurgent Senators say they will oppose the amendment unless jail penalties are prescribed for officers of corporations.

1934: Britain Seeks a Larger Navy
LONDON — Great Britain's disclosure that it might embark on a large navy building program for all categories of ships is understood to have come as a surprise to Norman Davis, American ambassador-at-large, now in London for preliminary conversations regarding the attitude of both nations at the naval limitation conference in 1935. It is understood that the British government was given oral intimation that Washington would welcome some clarification of the proposed program. Mr. Davis is reported to have had only a vague hint of such a proposal and that was at a meeting with Prime Minister Ramsay MacDonald [on June 20], when the latter stressed the vast responsibilities of Britain in the Far East as well as the remainder of its far-flung empire.

Debt Crisis: Too Serious for the Bankers

By Anthony Lewis

ASPEN, Colorado — A critical time is at hand for the United States and other industrial countries on a menacing problem: The debts owed to them by Third World governments. It is the sort of financial problem that many of us resist understanding. But the potential consequences, human and political, are too serious to leave this one to the bankers.

Suppose, for example, that some powerful outside institution told President Ronald Reagan today that he must reduce the real income of American families, raise taxes, cut government spending on Medicare and other programs and impose drastic restrictions on what U.S. companies may import, even essential parts. Would it be politically easy for Mr. Reagan, or even possible, to carry out such a prescription?

The example may seem far-fetched, but that is the medicine being prescribed to Third World governments today. And the consequences are far more severe than in the imagined U.S. scenario, because those countries are much poorer — have much less human margin for sacrifice.

Consider Mexico, which owes nearly \$90 billion abroad. This year Mexico has borrowed \$3.8 billion to meet urgent needs, but it must pay interest of \$12 billion on the foreign debt — a net outflow of more than \$8 billion from a developing country that needs to bring in capital. And next year the debt service will come to nearly \$22 billion.

Figures like these are not abstract. They mean a lower standard of living, and fewer jobs, and less development, so that the dollars can be sent out. That actually is happening. Over the last three years in Latin America, where much of the

debt burden lies, per capita income has dropped 12 percent. But if a country has to cut back on production and investment, how will it develop the wealth to pay its debts in the long run? That is the question haunting the economic world today.

It is the more painful because experience in advanced countries with balance-of-payments problems, such as Britain, has shown that production losses are far worse than the export surplus achieved. A British expert with a talent for making such issues understandable, Harold Lever, took a look at the Third World debt problem in a recent issue of *The New York Review of Books*. The headline was, "The Debt Won't Be Paid."

It was "in the highest degree improbable," Lord Lever wrote, that most developing countries would be able to achieve large financial surpluses and maintain them for years. Yet that would be required just to pay the interest on existing debts, not to mention the principal.

There is also the political reality. "Will it be politically feasible on a sustained basis," Lord Lever asked, "for the governments of the debtor countries to enforce the measures that would be required to achieve even the payment of interest? Can it be seriously expected that hundreds of millions of the world's poorest populations would be content for long to toil away in order to transfer resources to their rich rentier creditors?"

Forcing Draconian measures on developing countries so they can keep paying the interest would also hurt the rich creditors. For the debtors

could pay only by cutting back deeply on their imports from the industrial world. U.S. exports to Latin America dropped 40 percent between 1981 and 1983. The Commerce Department estimates that that cost 400,000 U.S. jobs.

Moreover, there could be a terrible political price for forcing poor countries into a financial straightjacket. The trend toward democracy, now evident in Latin America and welcome to us, could be reversed. Argentina is the acute example. President Raúl Alfonsín has won wide admiration for restoring human rights. Yet he faces fearful economic problems — inflation is now at 500 percent — and it will be hard for democracy to survive if the financial screw is tightened.

Accepting the fact that the borrowers cannot pay is a matter of realism, not tenderness. Henry Kissinger put it: "These payments simply cannot be made. None of the major debtor countries will be able simultaneously to pay its debt, achieve economic growth and maintain its political and social equilibrium."

For all those reasons it is in the urgent interest of the industrial countries to work out new and lasting measures to ease the debt burden. If steps are not taken soon, there will be a growing incentive for the debtors to repudiate their debts — and that could have a devastating effect on many banks and the whole Western financial system. Realistically, the banks will have to write off many of the loans, but over a long enough time and with enough official help so they can bear the burden. Sacrifice will have to be shared, by poor countries and rich, their people and institutions.

The New York Times.

Is 74, or Maybe Even 78, Too Old to Be the President?

By George W. Ball

PRINCETON, New Jersey — If President Ronald Reagan is re-elected, he will be 74 when he begins his second term and almost 78 when he completes it. But death may not permit him to complete it. Under insurance actuarial tables, a 74-year-old man has only a two-thirds chance of surviving for four more years.

In fact, a president's chances are even less than that, since, in this century, one-eighth of our dead presidents were assassinated — an occupational hazard that the actuarial tables do not reflect.

Today, Mr. Reagan at 73 has already lived seven years beyond the age of 66, at which, on the average, our 35 dead presidents have died. Nor has modern medicine substantially improved a president's life expectancy, since our 20th century presidents have on the average died at the age of 67.

Still, the hazard of electing an aging president is not that he may die in office, since succession is clear and automatic; it is that he will become ill, senile or slow in thought and reactions. Most Americans know from family experience how often that happens to people in their late 70s.

President Woodrow Wilson suffered the first of several paralytic strokes on Sept.

25, 1919. For 18 months, he could function only marginally and fitfully, and, for long periods, not at all. Lying partly paralyzed in a White House bedroom, he was guarded fiercely by his wife, doctor and secretary who, in effect, ran the country. He almost never saw anyone else, and communicated, if at all, only through memoranda bearing his feeble scrawl or through oral statements by his wife.

During a special session of Congress, 28 pieces of legislation became law without presidential approval because Mr. Wilson was unable to sign or veto them. Meanwhile, the country and the world speculated with mounting anxiety about the true state of the president's condition.

Fortunately, the United States had just helped win a great war and no hostile power could challenge our security, but today we face an antagonist armed with nuclear weapons. As one who helped advise President John F. Kennedy during the Cuban missile crisis, I am haunted by the thought that we might again be caught up in a similar crisis at a time when our president lay disabled. How could we deal with a Soviet Union whose leaders knew that the only man empowered to push the nuclear button was too ill to think or act decisively — if he were even able to act at all?

Congress wrestled with the problem of presidential disability in 1967 and produced the 25th Amendment, but disability is still a prescription for chaos. To turn over his powers to the vice president, a president must deliver a declaration in writing to Congress that he can no longer carry out his duties. But no disabled president could make such a declaration, and a senile president, under the influence of a vigilant wife and devoted personal staff, would most likely resist taking that step.

Only the vice president and a majority of the cabinet could break the deadlock by sending Congress a joint declaration that the president was incapacitated. But the president could in turn override that by a new message declaring himself competent. If, after that, the vice president were again to challenge him, the issue would have to be resolved by a two-thirds vote of both houses of Congress acting within 24 days.

How would all this work in reality? A vice president would long hesitate to risk charges of usurpation by trying to remove the president. Nor could he persuade two-thirds of the cabinet members, chosen for their loyalty to the president, to go along without absolute assurance that the president could never recover.

Yet few responsible medical experts would give such a categorical assurance. Meanwhile, the president might, as in the case of Woodrow Wilson, be kept incommunicado with the palace guard, including his wife, handling out optimistic bulletins while wild speculation filled the press and air waves.

This problem is peculiar to the U.S. system. The Soviet Union, during its last three regimes, and Britain, during the last days of Winston Churchill, managed with an incapacitated leader because the Politburo and the British cabinet possess collective power and can act without a chairman or prime minister.

But the U.S. cabinet has absolutely no collective power, and our system cannot function without someone exercising the presidential writ.

God help our country if we ever have to face such a tragic mess!

The writer, who is 74 years old, was undersecretary of state in the Kennedy and Johnson administrations and U.S. delegate to the United Nations in 1968.



Steve Meyers/The Washington Post

Beijing Owes Tibet a Compromise

By John F. Avedon

NEW YORK — Thirty-four years after its invasion of Tibet, China remains in a quandary on the roof of the world. After seven years of secret negotiations with the Dalai Lama, Tibet's exiled ruler, the difficult issue of Tibetan independence remains unresolved. The talks are stalled, but underneath their stated positions both sides seem interested in working out a deal — for more or less freely administered autonomy.

The burden is now on China to recognize the full extent of Tibetan nationalism and need for sovereignty and to take steps to advance the negotiations. For more than 20 years, Chinese propaganda has portrayed Tibet as "the darkest feudal serfdom in the world." In fact, nothing could be further from the truth. Though Tibet's economy was undeveloped and its social system stratified, its ancient civilization stood out as one of the most impressive in world history. A nation the size of Western Europe, in which one-quarter of the male population were monks, Tibet alone possessed the entire body of Buddhist literature and liturgy. Its state-run medical colleges taught the 2,500-year-old science of Buddhist medicine, and more than 6,000 monasteries had, for more than a millennium, been centers of scholarship and art.

The Chinese invaded in 1950. They conquered the country easily, although they allowed the Dalai Lama to rule as a figurehead. In 1959, a popular revolt against Communist economic and cultural reforms spread to the capital, forcing him to flee, followed by 100,000 refugees. Since then, Beijing has ruled Tibet directly.

Now, evidence obtained by Tibetan refugees living in India has provided the first glimpse of what can only be called a holocaust. Forced labor, imprisonment and widespread starvation have caused the deaths of an estimated 1.2 million Tibetans — one-seventh of the population. A total of 6254 monasteries have been gutted, their priceless art treasures either melted into bullion or sold for foreign exchange. The buildings were razed by field artillery and dynamite. Their ruins now mark the dramatic landscape — a constant reminder of the terror of the last 25 years.

By China's own admission, Tibet is the poorest region in the People's

Republic. What Beijing does not speak about is the sustained unrest of the Tibetan people and the continued need for stringent military control. Since 1959, there have been at least 50 uprisings. There are more than 100,000 political prisoners. Amdo, Tibet's northeastern province, is home of the largest gulag in China — or anywhere in the world. It houses some 10 million prisoners — most of them Chinese. Beijing maintains a half-million troops in central Tibet — one soldier for every 12 Tibetans.

Tibet remains in an explosive state. In the latest round of arrests, last autumn, 3,000 dissidents were arrested and 35 publicly executed. Beijing knows that it cannot bring stability to Tibet unless it is able to convince the Dalai Lama to return. He and 100,000 refugees have constituted a democratic government in exile based in Dharamshala, India. They have recreated a self-sustaining society that preserves Tibetan culture and functions as a living refutation of China's claims. The six million people remaining in Tibet look to them as the sole hope for Tibetan freedom. The Chinese have sought unsuccessfully to persuade him to come home since 1977. They hope he will preside over an apparently legitimate government under their control. He has

shown no interest in returning under those conditions but continues to talk to Beijing and has offered to visit.

Yet throughout the negotiations, China has behaved in a duplicitous and ultimately self-defeating manner. It continues to promise widespread liberalization and a measure of self-government. Nonetheless, Beijing has increased its troop strength in Tibet and drastically tightened public security.

Compromise is possible. The Tibetan government in exile has not admitted that it would accept anything less than complete independence. China maintains that Tibet is an inseparable part of the People's Republic. Yet both sides recognize that they will probably have to settle for some form of partial autonomy.

In order to reach a compromise, Beijing must admit that its claims to Tibet are unfounded and unrealistic. China can never hope to amend the inestimable tragedy of having destroyed a 2,100-year-old culture in a mere 25 years. It should, however, be able to find the courage to permit a new Tibet to rebuild itself from the ruins of the old.

The writer, author of "In Exile from the Land of Snows: The First Full Account of the Dalai Lama and Tibet Since the Chinese Conquest," contributed this comment to The New York Times.

LETTERS TO THE EDITOR

Radio Free Europe Credo

I must respond to the charge in "Credibility at Stake" (Letters, June 19) that the present management of Radio Free Europe and Radio Liberty is bent on broadcasting "hard-line anti-Communist propaganda." We plead guilty to being anti-Communism. After all, Radio Free Europe and Radio Liberty are bound by their congressional mandate to reflect a commitment to the "basic principles of human dignity, individual freedom, and the rule of law," which the Soviet Union and its satellite regimes so systematically violate.

It is not our "line" that is hard on communism, but the facts it is our responsibility to report. What could be a more eloquent condemnation of

the Soviet system that a simple account of the treatment accorded the Sakharovs, or the devastation of Afghan villages, or the destruction of an unarmed airliner.

What we have not done, nor will do, is compromise the journalistic standards that have earned us the confidence of our more than 50 million listeners. In supporting the values to which Radio Free Europe and Radio Liberty are committed, we need no more than describe life within the Communist societies to which we broadcast as fairly and accurately as we can.

JAMES L. BUCKLEY, President, Radio Free Europe/Radio Liberty, Munich.

Not Too Many Yet

I reject the spirit of Rafael M. Salas's June 12 opinion column, "Complacent Too Soon on the Population Problem?" Our planet has resources for billions more people if they are industrious and use their intelligence to create a better life, and not for self-destruction or destruction and indifference to others.

We need wider application of existing scientific and technological accomplishments. Neo-Malthusian views such as those expressed in Mr. Salas's column have the same value now as Malthus's theories had in his time. For every human problem there is also a human solution.

MARUO ZIVKOVIC, Zagreb, Yugoslavia.

New Moves In Pretoria's Game Plan

By John de St. Jorre

WASHINGTON — A political game that makes chess look like checkers is under way in southern Africa as Pretoria tries out a new strategy. If successful, it would bypass the Reagan administration's elaborate diplomacy for removing the Cubans from Angola and would eliminate the prospective UN role in decolonizing Namibia.

South Africa signed a nonaggression pact with Marxist Mozambique in March and a similar accord with Swaziland two years ago, and is conducting a phased withdrawal of its forces from southern Angola. With new confidence, Pretoria is reaching out to broker "African" solutions with the black states of the region.

South Africa is pursuing a two-track strategy, the American route and its own "regional" path. Both sides agree on the initial objective — the withdrawal of Pretoria's troops from southern Angola, an exercise that is now almost complete. The next move is Washington's.

The United States will try to persuade Angola to send home its 25,000 Cuban troops whose role has been to protect the government against Jonas Savimbi's dissident movement UNITA, the National Union for the Total Independence of Angola. If that happens, South Africa would be expected to keep a promise to hand over Namibia to the United Nations, which would arrange elections, draft a constitution, and aid the formation of a government.

The two tracks will stay close as the Americans pursue this "linkage" strategy. But if the Angolans balk and stalemate ensues, as Pretoria expects, the South Africans will feel free to part company with the United States. The "African gambit" will then be fully deployed, effectively bypassing American diplomacy.

The gambit is based on two assumptions. First, Pretoria now seems ready to accept a genuinely independent Namibia under the South-West Africa People's Organization, the Namibian nationalist movement.

Second, South Africa is concerned that if there is no forward momentum after it has withdrawn its troops from Angola, SWAPO's military activity will escalate, threatening the newly established détente in the region.

Pretoria's aim now is to conclude a Mozambique-style nonaggression pact with Angola in which Luanda will undertake to deny SWAPO access to Namibia. In return, South Africa will stay on its side of the border and cut off UNITA's aid.

With SWAPO's military option eliminated, Pretoria will exert pressure on the movement to become more involved in Namibia's internal politics, using its growing range of contacts and credibility with black Africa. Angola will be Pretoria's main target because if it accepts the gambit, there is a good chance the other black states will go along.

South Africa figures that the prospect of a genuine handover of power in Namibia, and the shelving of its demand for a prior commitment for a Cuban withdrawal, will be an offer that neither the leaders of Angola nor SWAPO can refuse.

Pretoria's plan is already visible. It has released Herman Toivo ja Toivo, a SWAPO founder, to show good faith. A regional, round-table conference of all the major parties has been floated, taking the United States by surprise. Regular contacts between internal SWAPO leaders in Namibia and their comrades elsewhere, as well as top-level meetings between South African officials and SWAPO are taking place.

A President Kenneth Kaunda of Zambia, a key frontline mediator, has helped to open up a dialogue between SWAPO and the internal Namibian parties in Lusaka. The meeting ended without an agreement on Namibia's independence, but the dialogue is expected to continue.

The Cubans, Washington's bogymen, do not seem to worry South Africa much anymore, if indeed they ever did. Linking their withdrawal with freeing Namibia was an American ploy that Pretoria endorsed when it was expedient. South Africa expects Angola to send the Cubans home eventually, but its game plan gives Luanda more time to settle its differences with Jonas Savimbi who, with or without South African aid, will remain a powerful and potentially disruptive factor.

If South Africa's strategy works and produces a genuinely independent Namibia, approved by the African frontline states and hence presumably by the international community, Pretoria will deserve credit for having finally solved one of the region's major problems, albeit one of its own making.

The Reagan administration will have to come to terms with a curious irony. One of its goals — an independent Namibia — will have been achieved. But its chosen method (the "linkage" tactic) and the golden prize of a Cuban departure from Angola in a presidential election year will have been financed by the very power it was supposedly designed to benefit.

In reality, South Africa is far more interested in consolidating "Pax Pretoriana" in the region and gaining time to root its new constitution, which grants limited powers to the colored, or mixed-race, and Indian minorities. The bad news is that the constitution also reinforces the essentials of apartheid and excludes South Africa's 22 million blacks, the real losers in this chess game.

The writer, author of "A House Divided: South Africa's Uncertain Future" and a senior associate at the Carnegie Endowment for International Peace in Washington, recently returned from southern Africa. He contributed this comment to the International Herald Tribune.

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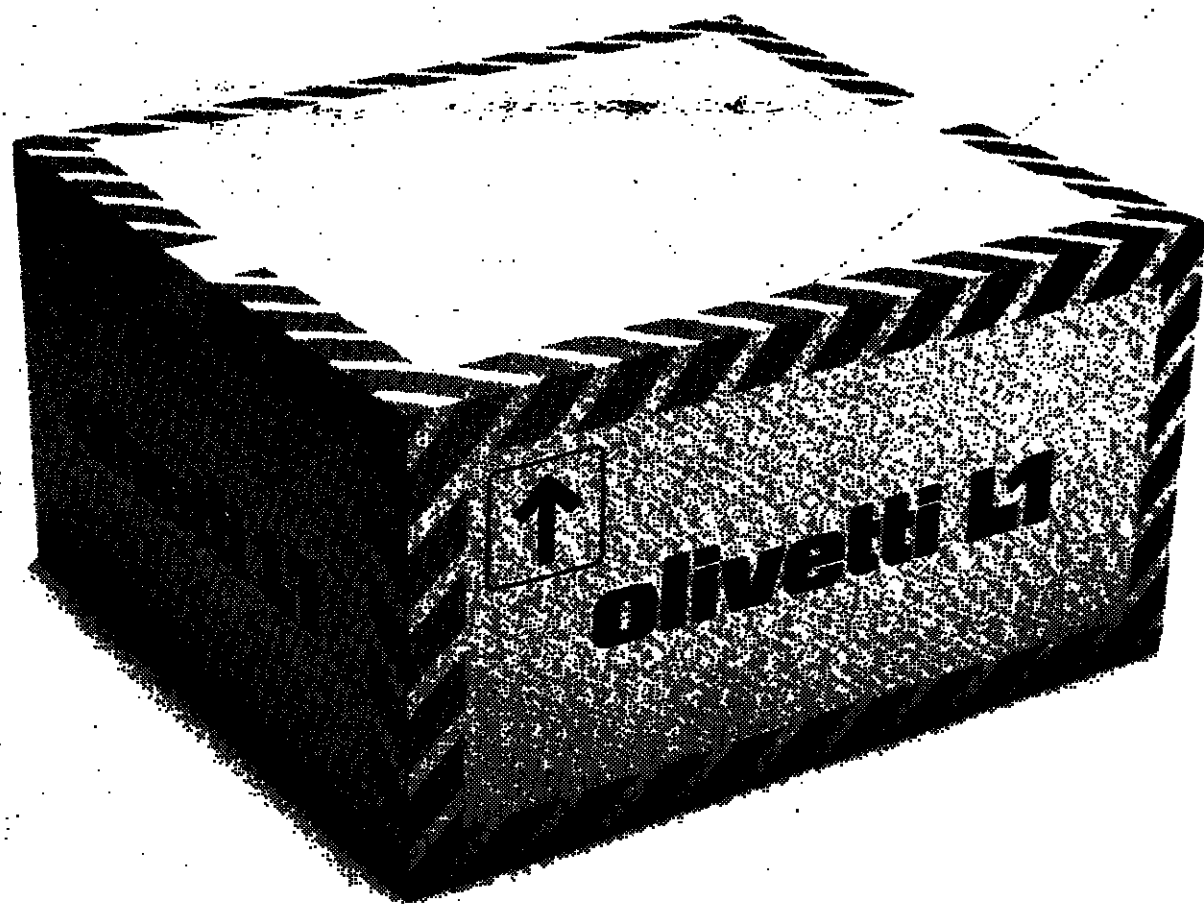
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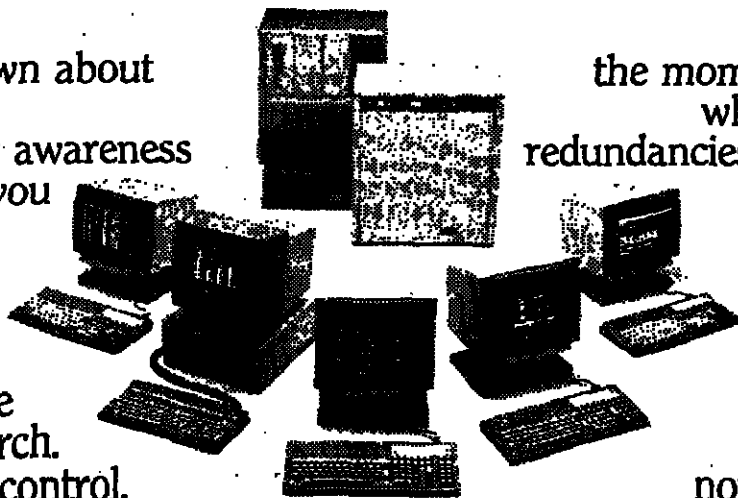
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Michel Foucault Dies; French Philosopher

The Associated Press

PARIS — Michel Foucault, 57, the French philosopher and historian who was writing an ambitious but unfinished series of volumes on "The History of Sexuality," died Monday in the Paris Salpêtrière Hospital of a neurological disorder.

Mr. Foucault, archetype of the contemporary French structuralist philosophers, was admitted to the hospital Thursday night.

The second and third volumes of his "History of Sexuality" were published only two weeks ago. The third volume, entitled "Souci de Soi" (Concern for Self), maintained that women have been oppressed by men in all societies throughout history. The series began in 1976.

One of the main themes of all three volumes was that the pagan pursuit of pleasure, traditional Christian morality and modern liberalism are all derived naturally from the same human nature.

Only since the 19th century has the sex drive been regarded as completely independent of society's moral basis, Mr. Foucault believed.

He drew a sharp distinction between love and friendship and maintained that the inability to share in the pleasure of a sexual partner was the underlying dilemma of the modern concept of love and sex.

Mr. Foucault had drawn a wide following among students and intellectuals in both Europe and the United States. Over the past decade he lectured at major American universities and his Wednesday morning seminars at the College de France were usually packed.

Clarence S. Campbell, 78, NHL President for 31 years, died Sunday of pneumonia.

Mr. Campbell's tenure in office, from 1946 to 1977, was the longest

of any sports commissioner in North American history. He was the third president of the league, succeeding Frank Calder (1917-1943) and Mervyn "Red" Dutton (1943-1946). He stepped down in 1977 when he was succeeded by John A. Ziegler.

Before becoming league president, Mr. Campbell was a Rhodes scholar, hockey referee and lawyer. He joined the Canadian Army in 1940 as a private, as a lieutenant colonel, he was a prosecutor at the Nuremberg war crimes trials.

(Reuters, AP, NYT)



Michel Foucault

East Germans Let Cleric Accept U.S. Rights Medal

By James M. Markham
New York Times Service

MIDDELBURG, the Netherlands — Encouraged by his own government to be here, an East German Protestant bishop has received a Franklin D. Roosevelt medal for promoting religious freedom.

The 57-year-old East German prelate, Bishop Werner Leich, won the medal from the Four Freedoms Foundation, a U.S. organization that seeks to further the ideals of Franklin D. Roosevelt.

The event in this Dutch coastal town seemed to echo a subtle and tentative improvement in the tone of relations between East Germany and the United States and, as the bishop put it, suggested that the Communist authorities in East Berlin had "a foreign policy of their own insofar as this is possible for a small state in a big bloc."

The honoring of Bishop Leich was not without dividends for the East German government, since the careful, thoughtful cleric and his Thuringian church have been in

the forefront of those who have pushed hardest for more stable, warmer relations between Protestant churches and the government.

The prelate and several other campaigners for change, like Liv Ullmann, the Swedish actress, and Simone Veil, the French politician, were honored at a ceremony Saturday at the Nieuwe Kerk abbey.

The Four Freedoms Foundation was organized after Roosevelt's death in 1945 to advance the values he said were essential to democracy. Others who have received the medals include President Harry S. Truman, Eleanor Roosevelt and Coretta Scott King, the civil rights leader and widow of Martin Luther King.

Bishop Leich has headed the Evangelical Lutheran church in the southern province of Thuringia since 1978. Last year he was chairman of the church committee that organized the festivities marking the 500th anniversary of Martin Luther's birth.

In a conversation before returning to the East German city of Jena, Bishop Leich said the end of the elaborate Luther celebrations had not led, as some had feared, to any cooling in relations between church and state. He attributed this in great measure to Erich Honecker, the Communist Party chief.

"The government in the DDR," he said, using the German initials for the German Democratic Republic, "has a rather good trust in the church."

The strengthening of the dominant Protestant churches, he acknowledged, had awakened fears among some East German Communists of "a spillover" of the political revival of the Roman Catholic Church in Poland. "But," he said, "this did not happen."

The Honecker government's decision to allow 24,000 East Germans to resettle in West Germany this year has been widely hailed in the West. But East German churches have taken a more critical view, fearing that they will lose active members and seeing in the press to emigrate an implicit condemnation of a communist society.

"We need every Christian who is a part of the DDR to stay there and be a witness to his faith," Bishop Leich said, adding, however, that individuals who had been imprisoned or otherwise "wounded" by the government had a right to emigrate.

One evident goal of the East German government in opening the gates to legal immigration was to rid itself of members of a small movement of East German pacifists who criticize both NATO and the Warsaw Pact. The movement had been sheltered by the Protestant churches.

The bishop said that virtually the entire peace movement in Jena left "of its own free will." This, he said, raised the "hard question" for the church whether youths had joined in anti-war activities out of conviction "or to get out of the country."

Japan Is Becoming a Test Case Of the Gerontological Future

By Tim Pearce

TOKYO — The proportion of old people is growing faster in Japan than in any other country, forcing government and industry to prepare for far-reaching changes in employment, pension and health patterns.

The swing from a largely young population to an increasingly old one is common to most industrialized nations, where post-1945 baby booms were followed by drops in birth rates and increases in life expectancy.

But population experts say Japan will be something of a test case because of the speed at which its society is aging. Other countries are watching closely to see how it copes with the change.

Computer predictions point to potential difficulties, including vast rises in pension payments and medical spending, a fall in the growth of the economy and a shrinking labor force.

Sociologists also say there is a danger of strife between generations as young people grow more resentful of the time and money needed to support their elders.

Looking on the brighter side, demographers say the ability to predict population changes gives planners time to prepare for the changes.

"Demographically, we have no choice, the people are there already," said Naohiro Ogawa, deputy director of Nihon University's population research institute. "The question is how we are going to cope with the problem."

Japan will double its percentage

of people older than 65 to 20 percent by the year 2010, a shift that will take until 2055 in West Germany and 2071 in Sweden, Mr. Ogawa said.

By 2020, nearly 25 percent of Japanese will be 65 or older, the highest ratio in the world, compared with about 16 percent in the United States and around 19 percent in Britain.

Mr. Ogawa said medical expenditure will have to rise 70 times in nominal terms between 1980 and 2025 and that contributions to pension plans will have to triple, reducing personal savings and the funds available for industrial development.

Around the turn of the century, the labor force will begin to shrink, the economy to slow down and inflation to rise as a result of high government spending on medical and pension plans, he said.

"Twenty years from now young girls will not be working on Sony assembly lines, they will be looking after the old," Mr. Ogawa said.

One possible mitigating factor is the forecast of a rapid rise in the number of robots in factories and medical and welfare services.

A recent report by the International Trade and Industry Ministry said robot production in Japan was expected to soar to 560,000 units in 1990 from 77,000 a decade earlier.

The report said robots would increasingly fill the gap left by the dwindling number of workers in their 20s, and added that they should be designed for easy use by older people.

Noting that old people are fitter today than in the past, Mr. Ogawa

said he was optimistic that increased robot use, combined with a gradual rise in Japan's normal retirement age of 55, would compensate for the smaller number of young workers.

Dr. Robert Butler, a gerontologist and former director of the U.S. National Institute on Aging, told a recent seminar here that divorce was rising in the United States because of longer life expectancy. The problems of old age were essentially those of women because women outlived men, he added.

In Japan, about 70 percent of old people lived with their children in 1980. The percentage is falling, but remains much higher than in many other countries.

An economic planning agency survey said the number of bed-bound aged was expected to double by the year 2000 to more than one million. It called for better welfare services.

The government has already started taking action to cope with such problems. A bill before parliament would cut state medical spending by making people pay 10 percent of their medical costs instead of just a small nominal sum.

Priority for state housing goes to families supporting an elderly member.

Among solutions Dr. Butler proposes for an aging society's problems is higher spending on medical and sociological research to keep the aged fit and productive. Mr. Ogawa suggests incentives to bring more women into the workforce, retraining retired people and improving the education and skills of the young.

Greenwich Marks Century Of Ruling World's Clocks

The Associated Press

LONDON — Greenwich Mean Time celebrates its 100th anniversary Tuesday.

Although the rules of the world's clocks moved out of their Greenwich observatory in London's suburbs years ago, it has remained the symbol of uniform time, with a museum and a brass strip marking the meridian from which the world measures time zones.

The six beeps broadcast by the British Broadcasting Corp. throughout the world are still the most reliable for setting watches, whether it's midnight in Moscow or daybreak in Hawaii.

On Tuesday, the centenary of the 1884 international conference in Washington when GMT was adopted internationally will be marked by the flight of a Concorde jetliner carrying a message of greetings to the town of Greenwich, Connecticut, at a speed faster than sound.

Seventeenth century navigators had established latitudes but had failed to work out the longitudes as a cross-reference for charting their course. So in 1675 King Charles II ordered an observatory built in Greenwich where a solution could be found.

Even after the longitudes were established, chaos persisted as each major seafaring nation followed its own meridian. It was not until 1911 that France and Ireland abandoned the "Paris meridian" and joined the Greenwich mean.

Hong Kong Residents Asked to Press Chinese

By Dinah Lee

Washington Post Service

HONG KONG — Three prominent Hong Kong politicians on Monday urged residents to express their concerns about China's plans for Hong Kong, after they failed to persuade the Chinese leader, Deng Xiaoping, to pledge strong legislative powers for the colony.

Sir S.Y. Chung, who led a delegation to Beijing, said at a press conference: "It is now up to the public to express whether we do reflect their views truthfully and accurately, and to say whether they want to follow up with a request to both governments in the U.K. and China."

Lydia Dunn, Q.W. Lee and Sir S.Y., who are members of a group of prominent Hong Kong citizens seeking to express residents' fears about Chinese rule, spent five days in Beijing to relay the "state of confidence and the anxieties of the people of Hong Kong toward their future."

"People are worried that the high degree of autonomy promised may not in fact mean Hong Kong people administering Hong Kong," the group said in a statement to Mr. Deng.

They voiced concern that Chinese officials "may interfere in the local administration" after British rule ends in 1997. They also said that the plans to retain Hong Kong's free market status may be compromised by future Chinese leaders who may revert to "extreme left policies."

The three delegates said Monday that Mr. Deng was unresponsive to their complaints.

Mr. Deng avoided conferring official status on the delegation's visit, welcoming the three envoys as private individuals.

In addition, during meetings in Beijing, the three were told that the new "basic law" would be as detailed and binding as possible, but that the Chinese would only consider the request that new laws for the territory be drafted in Hong Kong by Hong Kong residents, in cooperation with Chinese representatives.

"He said he did not believe that the views and anxieties we de-

scribed were really the current state of confidence in Hong Kong. He was confident that the one country-two systems concept would provide a precedent to resolve world problems, such as the unification of North and South Korea, and East and West Germany," Sir S.Y. said.

The "one country-two systems" concept refers to the Chinese suggestion that after 1997, Hong Kong will retain a capitalist system for 50 years, as a special autonomous region under Chinese sovereignty.

"Hong Kong people must continue to make their views publicly known," Miss Dunn said, adding that since "Mr. Deng has repeatedly assured the people of Hong Kong that he is prepared to listen and there would be a continuing process of consultation, one hopes that these views would be listened to."

There is concern in Hong Kong, the world's third largest financial center, that a Chinese-British agreement might be too vague to guarantee stability and prosperity after 1997.

These fears have intensified in the past few months as the British and Chinese governments have accelerated negotiations to meet a September deadline for a new agreement.

Sir Prime Minister Margaret Thatcher of Britain visited Beijing in 1982, Britain and China have said that they would take the wishes of the Hong Kong people into consideration when drafting an agreement.

No official channel for their opinions has been offered, and there is no apparent plan to test the acceptability of an agreement. In April, the British foreign secretary, Sir Geoffrey Howe, ruled out the possibility of a referendum.

Over the past six months, community pressure groups have drafted proposals for "mini-constitutions" for Hong Kong. They all include a demand that Hong Kong people be empowered to draft and amend their laws.

In response, Beijing has said the laws would be drafted in consultation with Hong Kong residents, but that mainland Chinese officials would draft them.

Since none of the groups that drafted proposals is elected or can claim a mandate for Hong Kong's 5.5 million Chinese, 40 community leaders appointed to the Hong Kong government's advisory and legislative bodies have served to argue for perceived local concerns.

The groups of known as the "unofficials" to distinguish them from civil servants on the same bodies, have been criticized both in Beijing and in London.

The unofficials sent a nine-member delegation to London in May, during a debate in the House of Commons on the future of Hong Kong. Lord Murray Maclehoze, former governor of Hong Kong, termed their arrival in Britain "ill-timed and ill-conceived."

Ruling Party Chooses Marcos Friend To Be Speaker of Philippine Assembly

United Press International

MANILA — The ruling party on Monday approved a close friend of Mrs. Imelda Marcos as speaker of the Philippine National Assembly. The speaker would hold interim power if President Ferdinand E. Marcos died or was incapacitated.

Nicanor Yniguez, 68, a veteran politician from Mrs. Marcos's home province, was selected by the ruling New Society Movement in a special caucus at the presidential palace.

"We are having trouble gener-

ally selecting a speaker," said a spokesman for the ruling party.

State-run television said the caucus also was discussing Mr. Marcos's plan to reorganize his 18-year-old government following the May 14 parliamentary polls in which his rivals made unexpected gains.

Mr. Yniguez, from the central island of Leyte, was reportedly backed and groomed for the critical post by Mrs. Marcos's brother, Benjamin Romualdez, the Leyte governor. Mr. Yniguez replaces Quirico Makalintal.

Shuttle Flight Is Delayed by Computer Failure

The Associated Press

CAPE CANAVERAL, Florida — The National Aeronautics and Space Administration postponed Monday's launching of the space shuttle Discovery after a problem was discovered in its computer system just half an hour before scheduled liftoff.

Liftoff was reset for 8:43 A.M. Tuesday, weather and repair work permitting after the shuttle was outfitted with a computer cannibalized from a sister ship and readied for a second countdown.

A crew of six was aboard Discovery when the delay was announced. Weather, however, was a potential problem and the shuttle forecaster said he was pessimistic about conditions for Tuesday.

"The launch team is optimistic they will be able to proceed" Tuesday, said a spokesman for the Kennedy Space Center. But a final de-

cision would not be made until computer tests are completed.

The ship's 500,000 gallons (nearly 2,000,000 liters) of liquid propellant was drained after the cancellation and would be reloaded after midnight.

"We had a serious hardware problem," the shuttle operations director, Thomas Utzman, said after the postponement was announced nine minutes before scheduled liftoff.

The backup computer, manufactured and maintained by IBM, is designed to take over flight controls if the shuttle's four primary computers fail.

Rather than attempt to fix the unit, a replacement was taken from the sister ship Challenger, which is being readied nearby for a flight in November. Discovery brings to three the NASA shuttle fleet.

Monday's was the third post-

ponement of a shuttle launching during final countdown, and the first since the second flight in November 1981.

Discovery's first countdown progressed smoothly until the final hour. But when the crew switched data from their four main computers to a backup, launch control noticed a stray signal. Four minutes later, the backup was "out of synch," that is, it did not duplicate the data it received.

Discovery's flight crew, lying on their backs aboard ship for more than two hours before the cancellation, included the second U.S. female astronaut and an industry engineer whose "weightless" manufacturing process will produce test quantities of a mystery drug. A military communications satellite waited in the cargo bay.

The launching director, Bob Sieck, expressed regrets to the com-

mander, Henry W. Hartsfield Jr., and told him he appreciated the crew's patience.

He added: "It appeared it would be a race against the clock. Everybody agreed we would rather wait and fly with a good machine."

Mr. Hartsfield, 50, was pilot aboard Columbia on its fourth flight two years ago. His crew includes five rookies: the pilot, Michael L. Coats; three mission specialists, Dr. Judith A. Resnik, Dr. Steven A. Hawley and Lieutenant Colonel Richard M. Mullane; and the payload specialist, Charles D. Walker.

During their week in space, the Discovery crew will snap thousands of Earth photos with a mapping camera and erect a 10-story-tall solar sail to test a device that may one day convert the sun's rays to electricity to power space stations or shuttle missions.

The mission's most anxious moment will be the attempted deployment of a military communications satellite. Three recent deployments failed after attached rockets sent the satellites into worthless orbits.

Mr. Walker is not an astronaut. His employer, McDonnell Douglas Corp., is paying NASA \$80,000 for the expense of training him for the trip. He is to operate a machine that separates biological materials in an electric field to produce a drug, identified by McDonnell Douglas only as a hormone extracted from protein.

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ARTS / LEISURE

Adolfo: Knits and a Whiff of Chanel

NEW YORK — An American woman was stopped at Claridge's in London the other day and told she was wearing the same suit as Nancy Reagan. And so she was. The suit, which looked like a Chanel, was in fact by Adolfo, one of Mrs. Reagan's favorite American designers.

The Cuban-born Adolfo is a former hatmaker who turned to dressmaking in the early 1960s and has captured a clientele of well-heeled Manhattan socialites, many of whom admire Mrs. Reagan's style.

Hence the enormous number of well-groomed, middle-aged fans, all wearing Adolfo suits, at his recent winter-and-fall collection in New York.

Although the New York collections were held several weeks ago.

HEBE DORSEY

Adolfo is known for showing later and doing his own thing, which he can afford to do because he has a faithful following. So here they were, piled four deep, the movers and the shakers of the New York luncheon hour, women who are sure to find regularly at La Grenouille or Le Cinq, munching carrots and dieting the expensive way.

As they stepped out of limousines, it was easier to spot the women not wearing Adolfo than the other way around. Mildred Hilton, the philanthropist, was in a black-and-white Givenchy. "It works better for me," she said, adding that an Adolfo suit looked nice for traveling and board meetings but "I don't like to see myself coming and going." As for Martha Phillips and her daughter, Lynn Manulis, of the Martha fashion salons, they stood out in real Chanel couture suits. After the show, Manulis said: "Adolfo said he loved my suit and he took a real close look at it."

Other customers went around looking like twins, and sometimes triplets and quadruplets. They often sat next to each other, in identical outfits, including a couple in white suits cut across by red, toy-soldier braid. But far from being upset, these women looked frankly pleased.

To fashion cognoscenti, an Adolfo suit is a Chanel suit — with a difference. The look is all there, down to the contrasting braid, the gold button-trimmed cuffs, the stacks of gold chains, the camellias, the quilted bags and the famous

two-toned shoes. The sable-trimmed three-quarter coats were also vintage Chanel, as were the Deauville pleated pajama pants and the long knitted cardigans. But somehow, it was different.

Trying to compare Chanel and Adolfo is like comparing "Coco," the Broadway musical based on Chanel's life, with the real thing. While a Chanel suit is totally French and undeniably more chic, an Adolfo suit is lighter, easier and definitely more colorful. It is also more practical and better suited to American women's tastes. In fact, it is more about a market than about fashion. And as such, it is a huge success.

Adolfo himself made no bones about saying he admired the late Chanel very much.

Interviewed in his salon, which is lined with coromandel screens — another very Chanel touch — he said: "I would have loved to have been hired by the house of Chanel, like Karl Lagerfeld. I think I would have done a good job."

Yet, Adolfo is pained if you tell him that his suits are Chanel copies. "They aren't actually copies," he said. "They're very different even if they resemble Chanel's a lot."

So, where's the difference? "First of all, they're all made of knits," he said. This explains the lighter, snuggler feeling and the easy-to-keep, easy-to-pack aspect. "I've developed machines which can make all these elaborate stitches," he said. The result, from a distance, looks remarkably like the tweeds used by Chanel, except less bulky.

Apologizing for wearing a thimble and a white robe ("I like to sew"), Adolfo said he learned the trade from a Cuban seamstress who had worked for Jean Patou and Madeleine Vionnet in Paris. "She was very old when I met her," he said. "She was 75. But she

taught me the French way. This is why I function more like a Paris fashion house, with a small atelier. It's all very personal."

Adolfo employs 250 people, most of whom work in a Long Island factory, but his little salon has an intimate feeling, and Adolfo is known for understanding and accommodating his customers. Unlike most other houses, which function on a rigid, assembly-line pattern, Adolfo will change a fabric here, a blouse there, which amounts to running a semi-custom trade.

Insisting that he never bought anything from Chanel's, "Not even a bottle of perfume," Adolfo added, "The same fabric manufacturers who sell to Chanel often come to me. But I always refuse to buy from them."

Actually, Adolfo thinks that, somehow, he may have helped Chanel. "There's another side to this story," he said. "When I started doing my clothes, Chanel was a very quiet house. Then people started talking about me. So you could say that I revived the interest in Chanel."

How does the house of Chanel feel about Adolfo? After rumors that they were going to sue him, they apparently decided to drop the whole idea and to be generous about it. Said Lagerfeld, in a grand seigneur manner: "I think it's amusing. I think it's a compliment. The fact that Adolfo should pick not only the old Chanel styles but the new ones as well, which I designed, is rather flattering, don't you think?"

"I must say," Lagerfeld added, "that Adolfo also makes lovely evening dresses. I saw C.Z. Guest [Mrs. Winston Guest] at a party the other night, looking wonderful in a navy-and-white, polka-dotted Adolfo dress. It did not look like Chanel at all. It looked like American fashion at its best."



Martha Phillips, Lynn Manulis in Chanel outfits.

Judaica Controversy

The Associated Press

NEW YORK — Questions about the authenticity and source of two rare Hebrew books appear to have been partially resolved with the sale of the items to the Jewish Theological Seminary, according to several persons connected with the sale.

A spokeswoman for Sotheby Parke Bernet, Inc., the Manhattan auction house that negotiated the deal, refused Saturday to identify the seller or the price paid by the buyer.

Rabbi Yaakov Rosenberg, vice chancellor of the seminary, said Friday that an anonymous donor had provided the money for the purchase of a 15th-century Hebrew bible, believed to be the oldest surviving Hebrew manuscript from Prague, and an equally old Spanish machzor, a book of Jewish prayers and rites.

New York's Consumer Affairs Commissioner, Anthony J. Aponte, said he intended to track down the source of the two works and 31 other rare Hebrew books and manuscripts the gallery had planned to auction Tuesday. A spokesman for Mayor Edward Koch's

office said he would not allow the sale to proceed until the ownership is determined.

Aponte said Jewish leaders had told him the 33 items might have been seized by the Nazis almost 50 years ago in Germany and Poland and were not in the hands of the rightful owner.

However, a Sotheby spokeswoman said Saturday that the company was "very sure they were always in Jewish hands." She added that the removal of the two items from the auction block and the private sale had been cleared by the office of the state Attorney General.

Before World War II, the books and manuscripts had belonged to the College for Scientific Study of Jewish Culture in Berlin, which was closed by the Nazis in 1942.

National Park in Italy Dedicated to Hemingway

The Associated Press

LIGNANO, Italy — Italy, where Ernest Hemingway first saw war and began serious writing, dedicated a small national park to the American author in this northeastern beach resort.

In an outdoor ceremony Saturday, the actress Margaux Hemingway unveiled a bust of her grandfather.

The 10-acre (4-hectare) park, with its pine trees, roses and orchids and small amphitheater, lies on a piece of land that Hemingway used to own.

"With this gesture the citizens of Lignano give thanks to the man who called this area the Florida of Italy," said Mayor Steno Merlo, who launched the project for the park two years ago.

Several hundred people attended the ceremony, which began a monthlong festival at the park. There will be jazz and classical music concerts, 500 photographs of the author on display and showings of film versions of his novels.

Among the U.S. officials attending were Ambassador Maxwell Rabb and Jerry Siefert, the mayor of Ketchikan, Idaho, where Hemingway killed himself in 1961.

Merlo presented a plaque to Hemingway's son Jack, a 61-year-old businessman, giving him honorary citizenship of Lignano. Jack Hemingway arrived here for the ceremony with his daughter Margaux and another Hemingway granddaughter, the writer Joan.

Margaux and her husband, the French-born filmmaker Bernardo Faucher, brought in a film crew to record the ceremony for a documentary they are preparing on places frequented by the novelist.

Hemingway frequently returned to Italy after his service as a U.S. Red Cross ambulance driver in Italy in World War I. He hunted wild ducks in the marshes around Lig-



Ernest Hemingway

nano in 1954, the year he won the Nobel Prize for Literature.

Hemingway was not yet 20 when he drove an ambulance for the U.S. Red Cross in Italy along the Piave River, scene of one of the bloodiest battles of World War I. He was wounded in July 1918, near the town of Fossalta and 11 years later wrote the novel that brought him fame, "A Farewell To Arms," about an English nurse who falls in love with an American ambulance driver.

Later, he met one of the loves of his life, Adriana Ivancich, the model for Renata, one of the characters of "Across the River and Into the Trees." She died two years ago, but her brother Gianfranco, also a companion from the Cuban days, has put together such memorabilia as a typewriter, clipboards and pens in a special exhibition at his villa in San Michele on the Adriatic Coast.

"Italy is the key to understanding Hemingway," says Ivancich, now a retired businesswoman. "You can hunt big game, hang out with the bulls and write about the Spanish Civil War, but you can never forget the horrors of war when you see them at 19."

After World War I, Hemingway returned frequently to Italy, though his description of Mussolini as "the biggest bluff in Europe," kept him banned during the height of fascism.

In 1954, the year he won the Nobel Prize for Literature, Hemingway came to hunt wild ducks along the Tagliamento River, and the lagoons between Venice and Trieste. One day, on a peninsula between the Adriatic and a lagoon, he exclaimed to his friend Alberto Kechler: "This must be the Florida of Italy."

Thirty years later, Lignano Sabbiadoro has used the phrase to help it become the third beach resort of the country, behind Rimini and Lido di Jesolo.

Spanish Stage Congress

Scholars from seven countries gathered in Madrid to pay homage to Hemingway, whose fascination with Spain was reflected in his novel "For Whom the Bell Tolls." Reuters reported.

"The hour of Hemingway has come in Spain," the novelist José Luis Castillo Puche said Sunday. "He is finally being taken seriously in the country he loved."

National newspapers have used the five-day "First International Ernest Hemingway Congress" as an opportunity to pay tribute to the writer.

The conference drew Antonio Ordóñez, a bull-fighter admired by Hemingway, and about 50 scholars from Romania, Canada, the United States, Spain, Italy, Yugoslavia and Norway.

Organizers from the U.S.-based Hemingway Society said they chose Spain as the venue partly because of revived interest there in the novelist's works on bull-fighting and the 1936-39 Spanish Civil War.

Participants planned to make a pilgrimage to Hemingway country, visiting his favorite haunts in Madrid, Segovia and the Sierra north of the capital.

U.S. Celebration Scheduled
Hemingway's 85th birthday and the 30th anniversary of his Nobel Prize will be celebrated on July 20-21 in his hometown of Oak Park, Illinois, just west of Chicago, United Press International reported.

'Village': Critics Differ

CAPSULE comments on films recently released in the United States:

Stuart Rosenberg's "The Pope of Greenwich Village" is, according to Sheila Benson of the Los Angeles Times, an "explosively funny, taut-

MOVIE MARQUEE

ly dangerous" film set in New York's Little Italy, where "Sinatra is still king and the streets are safe for kids and grandmas." It recounts the get-rich-quick scheme of a couple of Italian-Americans who run into trouble with the Mafia. Paulie (Eric Roberts), a pathologically dishonest young man, is utterly dependent on his cousin Charlie (Mickey Rourke), a bar manager. Vincent Canby of The New York Times says: "Everything about the movie is slightly out of kilter, including the narrative, which is less a story than a display of acting mannerisms."

"Top Secret!" directed by Jim Abrams, David Zucker and Jerry Zucker, is a parody of East-West espionage movies, "as they might

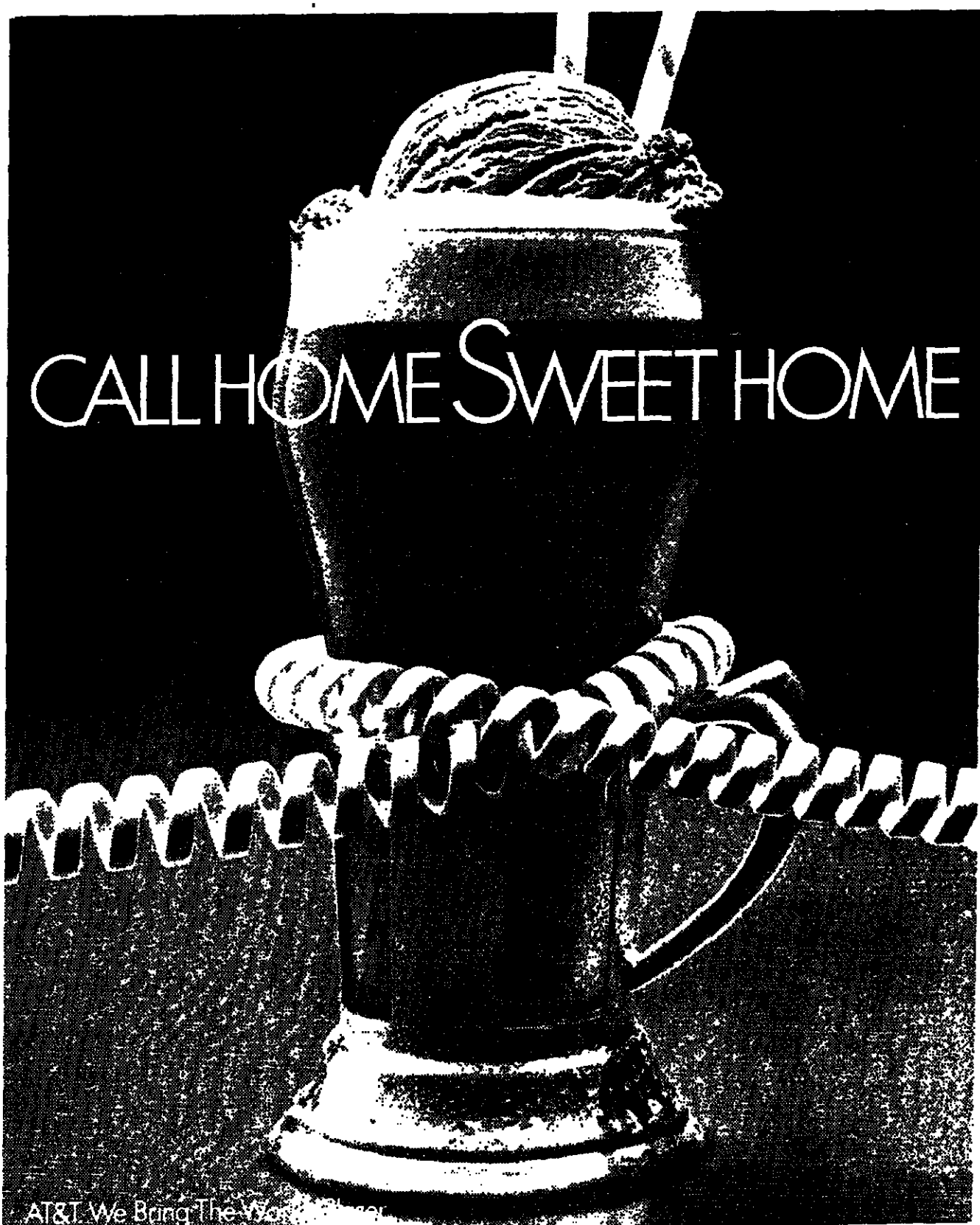


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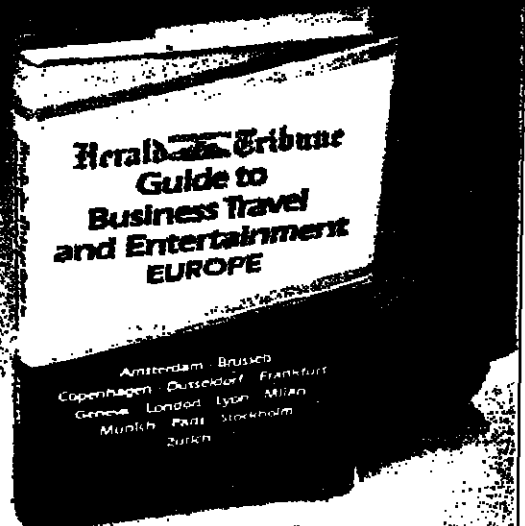


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THE NIKKO PERSPECTIVE

ON HOW Japan Should Function as a Financial Center

THE ROLE of Japan as a capital exporter has received a lot of attention in recent international debate. What role is Japan presently prepared to play? And what role should it play in the future?

Watanabe: I think we see two clear functions emerging for Japan as an international money and capital market. First, as an international financial center on a par with New York and London, Tokyo is in an excellent position to facilitate international capital flows. Second, the expansion of the Japanese money and capital markets should contribute to the internationalization of the yen, thus enabling Japan to play a role commensurate with its position as the second largest economy in the free world.

Looking briefly at the history of recent developments, we see a dramatic transformation in the flow of funds in Japan in the 1970s. In the 1960s and before, large surpluses of funds in the personal sector were absorbed by investment in the corporate sector. But as growth slowed in the 1970s, corporate fund demand shrunk, and personal savings continued to rise. The surplus of savings was absorbed by the public sector as the government financed budget deficits and by the export of capital concurrent with surpluses on the current account of the balance of payments.

The shortage of funds in the external sector has grown as Japan has continued to run balance-of-payments surpluses. Assuming that the Japanese economy performs well and oil prices remain stable over the long term, Japan will still be reporting surpluses in the late 1980s and beyond.

In addition to finding new means for an effective domestic use of capital, by exporting capital Japan can broaden and diversify its response to the expectations of developing and advanced nations alike for financial cooperation.

In fact, Japan must move in this direction, and structural reasons indicate that it will. We are already beginning to see Japan function more actively as an intermediary in the international flow of funds, and I have every reason to believe this function will expand rapidly.

WOULD YOU briefly review the progress of expansion?

Watanabe: If we analyze how capital exports were financed in the 1970s, about one-quarter of long-term capital outflows was financed by a current account surplus, one-quarter by short-term lending as reflected in the surplus of the short-term capital account, and one-half by long-term capital inflows. By 1982, Japan was a net supplier of capital in the amount of \$15 billion. This puts Japan side-by-side with such major international capital markets as Switzerland, at \$13.7 billion, and the United Kingdom, at \$15.1 billion.

As Japan's importance grows as an international financial center, I foresee the influx of additional short-term capital along with higher short-term borrowings and long-term loans. Naturally, we must create the environment that will support Japan's role as an international money and capital market.

As the capital market grows, the yen will need to function more as a reserve currency

and currency of settlement, complementing the role the dollar has played for many years. As the recent report of the Yen/Dollar Committee (Working Group of Joint Japan-U.S. Ad Hoc Group on Yen/Dollar Exchange Rate, Financial and Capital Market Issues to the respective finance ministers) reveals, Japan has clearly chosen to move decisively toward internationalizing the yen.



Shogo Watanabe
The Chairman of Nikko Securities, Shogo Watanabe, speaks from 46 years of experience in both the banking and securities industries in Japan. He is currently serving as Chairman of the Securities Dealers Association of Japan.

THE GREATEST pressure world-wide has been to provide better access to the Japanese capital market. How do you evaluate recent steps in this direction?

Watanabe: I think two factors influence access to the market. One is participation of overseas financial institutions in the Japanese market. In the past they have operated under the same conditions as domestic institutions. All have been provided "equal opportunity." Recently, however, we hear demands that proceed from a principle of "reciprocity."

Here, I think caution is merited. The principle of reciprocity implicitly denies a country autonomy and independence in managing its financial system. That denial is unacceptable. I am, however, the first to agree with the arguments presented by the proponents of reciprocity when their opinions have obvious merit in promoting the efficiency of the Japanese financial system.

Another concrete issue has been the liberalization of the money and capital markets. The secondary markets are absolutely open to resident and nonresident alike. But room exists for further liberalization of the primary market, including yen-denominated foreign bonds, or samurai bonds, as they are called.

The first domestic issue of yen-denominated bonds by a foreign entity was

in 1970. The market has expanded steadily since then and by 1983 reached \$3.9 billion. At first the issuers were principally international financial institutions, but the list has grown to include national governments and various government agencies.

Since 1979 private corporations have had access to the market, but the number of issues has been few. The principal reasons have been the insistence of authorities on collateral, the complexity of issuing procedures, and the inflexibility of offering terms and conditions.

As I said, we must proceed on the basis of Japan making its own decisions on the pace of liberalization. When the system or customs are too inflexible compared to international norms, as participants in the market we must hasten the process of change. That is our duty.

The signs of change are readily evident. On May 30 the Yen/Dollar Committee agreed on the liberalization of the Euroyen market. This move will also have an effect on the domestic market, accelerating the process of liberalization. As well, it will give nonresidents much easier access to the issue market for yen bonds.

At present, the Securities Council Commission, an advisory group for the Minister of Finance, is studying the current status of the bond market. I fully expect the results of its deliberations will prompt other efforts toward liberalization.

Through these efforts, I can state with confidence that, step by step, Japan is moving toward becoming an international financial center.

DOMESTICALLY, as well, calls are heard for further liberalization of the financial system. One issue is development of the money market. Just how soon do you foresee the introduction of new instruments?

Watanabe: The Japanese money market is qualitatively and quantitatively inferior to those in the United States and Europe. In September 1983 it was only one-tenth the size of the U.S. money market, and if we limit the definition to the really open part of the market, only one-twentieth. Right now this open market encompasses only the gensaki, or bond repurchase agreements, and negotiable CDs. That is not a great variety of instruments.

From the perspective of almost everyone concerned, the creation of a robust money market must have top priority in the process of deregulating Japan's financial system. We in the securities industry are committed to this task.

Several factors should accelerate the development process. First, the government must start refinancing in 1985 and beyond the large volume of long-term debt it began issuing in 1975. The initial step to facilitate this process will need to be a shortening of maturities on government bonds, thus creating a treasury bill market.

Second, the Yen/Dollar Committee recently agreed to establish a yen Banker's Acceptance market at the earliest possible time. This should benefit domestic traders as well as trading partners in Southeast Asia, Oceania, and elsewhere.

Third, the business community is expressing its desire for a commercial paper market. Those of us in the securities industry would like to respond.

A CLOSELY related problem is the interest rate structure. How fast will Japan move in the direction of allowing the market to determine interest rates?

Watanabe: The question of the mechanism for determining interest rates arose with the rapid growth of the secondary market for government bonds. Because the yields on these bonds moved with the balance of supply and demand, they tended to be more attractive than the yields on regulated instruments. Thus, we witnessed the shift of corporate liquidity from bank deposits to bonds. The introduction of CDs and their floating rates gave the banks a means with which to compete.

The conflict between regulated and free rates can only intensify. The inevitable result will be further pressure to liberalize interest rates and the growth of the money market. The rapid chain of events in the United States is ample evidence of just how fast change can be effected.

RECENTLY many foreign financial institutions have been opening operations in Japan in expectation of growing capital inflows and outflows. What do you see as their role in the market?

Watanabe: At present nine foreign securities companies have branch operations in Japan, and many more have representative offices. The nine are all members of the Securities Dealers Association of Japan, of which I am chairman. I welcome their contributions and seek their cooperation in developing the securities market in Japan.

I think there are two main motivations for the entry of commercial and investment banking organizations into the Japanese market. One is their superior financial technology and expertise in several fields. A good example is the international cash management services offered by Citibank.

Another is the profits to be obtained through diversification and the promotion of synergies. The Japanese capital market has presented obvious attractions as it has grown. We have seen, for example, a dramatic jump in the volume of pension and other institutional funds from Europe and the United States flowing into Japanese equities.

All the leading investment managers are competing to obtain these accounts. I am pleased to say Nikko International Capital Management has been extremely successful because of an excellent performance record that is the best among all Japanese investment advisers who handled U.S. pension funds in 1983.

My own perspective is that healthy competition is requisite for the healthy development of a capital market. Our international colleagues are in a position to meet the diverse needs of Japanese investors. I only hope that we can prove ourselves able competitors.

Nikko Securities

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London, Zurich, Geneva, Frankfurt, Luxembourg, Paris, Bahrain, New York, San Francisco, Los Angeles, Toronto, Hong Kong, Singapore, Sydney, Seoul

June 26, 1984

Herald Tribune BUSINESS/FINANCE

U.S. Stocks
Report, Page 10

TUESDAY, JUNE 26, 1984

Statistics Index
AMEX prices P.13
NYSE prices P.13
Commodity prices P.13
Currency rates P.9
Dividends P.13
Earnings reports P.13
Futures and options P.13
Gold prices P.13
Interest rates P.9
Market summary P.13
Other markets P.14
Page 9

FUTURES AND OPTIONS

Traders Aided by 'Strangles' On Treasury-Bond Options

By H.J. MAIDENBERG
New York Times Service

NEW YORK — When in doubt about an option market's direction, many professional traders simply "strangle" it, and traders in Treasury-bond options who did so last week profited handsomely.

An options "strangle" involves buying equal amounts of calls and puts. Calls are the right, but not the obligation, to buy the underlying futures at a fixed price within a specified time. Puts are the right to sell these contracts under the same conditions. An option's price is called the premium.

Early last week, many Treasury-bond options traders were extremely nervous as they awaited the government's "flash figure" on the U.S. gross national product for the second quarter. The figure was to be reported on Wednesday.

Many economists had forecast a sharp drop in the GNP, which would have been bullish for the battered bond market. Just as many other economists predicted the figure would show a still booming economy, which would mean greater demand for credit and higher interest rates.

Any rise in interest rates depresses the value of bonds and other fixed-income securities that yield lower rates. By Tuesday, many professional bond-options traders had stopped biting their nails and were busily strangling the market. When the "flash figures" indicated an unexpectedly large rise of 5.7 percent in the GNP for the second quarter, the strangles were ecstatic.

"At worst, the strangles expected to lose a few dollars in their hedged position; at best they expected modest gains," said Richard L. Sandor, senior vice president at Drexel Burnham Lambert Inc. in Chicago. "But what they got was a windfall because of the size of the number." Mr. Sandor is an authority on financial futures and options markets.

Options strangles are often likened to the "spread" or "straddle" long used by futures traders, but Mr. Sandor said that while both were used to hedge positions, further comparisons could prove deceptive.

For instance, he explained that strangles involve out-of-the-money options; there are no such things in futures. Out-of-the-money options usually have little intrinsic value at the moment and sell for much lower premiums than in-the-money contracts that already show a profit. Also, strangles rarely buy any but the nearest option, which, in the case of the Treasury bonds, expires in September.

Mr. Sandor continued: "The situation at last Tuesday's close found the September bond futures at 62 5/32; the 58 puts at that option at 28/64, and the 66 calls also trading at 28/64. The premiums were made to order for a strangle."

Each 32nd of a point in bond futures represents \$31.25 per contract with a face value of \$100,000. At 62 5/32, they were trading, in effect, at just over 62 cents on the dollar. Bond options are traded in 64ths of a point, which are worth \$15.63 each.

At Wednesday's close, after the stunning flash GNP figure had soared to 49/64, while those on the calls had sunk to 17/64. This meant that the put side of the strangle had gained 21/64, or \$33.23, while the call side had lost 11/64, or \$17.93. Thus the gain on the strangle was \$15.30.

By Friday's close, those who kept their stranglehold had even larger gains. The 58 puts ended at 58/64, up \$48.90 from Tuesday's close. The 66 calls closed at 13/64, down \$23.45. In sum, the two out-of-the-money options had produced a profit of \$23.45 on each strangle.

Meanwhile, the spot September Treasury-bond futures closed Friday at 60 7/32, down 2 full points and 20/32nds, representing a price loss of \$2,625 on the week. Put another way, a trader who had bought the spot September bond futures at last Monday's opening would have lost the entire initial margin, or cash outlay, required to buy a contract.

Still, Treasury-bond futures are expected to continue to be the most actively traded contracts on any futures market. Last week, an estimated 900,000 bond futures changed hands. Volume in bond options, while growing rapidly, was estimated at roughly 200,000 contracts.

Brokers expect both volumes to climb this week as government securities dealers begin hedging their planned purchases at the Treasury's next major bond auction. Their hedging operation will, as usual, consist of selling bond futures and options short.

"What they got was a windfall because of the size of the number."

U.S. Orders For Tools Up by 27% May Rise Follows A Jump in April

By Daniel F. Cuff
New York Times Service

NEW YORK — Orders for machine tools jumped 27 percent in the United States in May from April as the industry continued its month-by-month strengthening, the National Machine Tool Builders Association reported. The increase followed a 23-percent rise in April.

"It's encouraging that the industry is starting to build a backlog," Christine Chien, an analyst at Prudential-Bache Securities Inc., said on Sunday. "We're seeing a sequential improvement on a monthly basis."

But Richard T. Lindgren, the president and chief executive of Cross & Trecker Co., one of the major machine-tool makers, said that while the industry has started to strengthen month by month, the gains are "not nearly approaching historic levels."

The trade association said booked orders were valued at \$320.15 million in May, an increase of 137 percent from a year earlier and the largest monthly order total since spring 1981.

Still, it was not uncommon for monthly orders at peak times to surpass \$500 million, analysts pointed out.

The rate of orders in May "is a reflection not of how great business is now, but how bad business was a year ago," Miss Chien said.

Shipments, which represent completed sales, rose 30 percent in May from their April level and 51 percent from a year earlier, to \$205.7 million.

That made May the first month since 1982 in which shipments moved above \$200 million.

The backlog of orders reached \$1.44 billion at the end of May, a gain of 9 percent, the trade group said.

Cancellations as a percentage of gross new orders have fallen from more than 20 percent last year to less than 5 percent this year, Miss Chien said.

Pricing is still "fairly soft," she added.

Most of the increase in orders last month reflected a surge of orders in the metal-forming segment of the industry, as opposed to metal cutting, the association's president, James A. Gray, said.

"The metal-forming segment of the industry, because of its smaller size, is subject to much broader fluctuations in order rates," he said.

Orders for metal-forming machine tools totaled \$128.1 million in May, up nearly 75 percent from April.

Metal-cutting orders reached \$192 million, up 7 percent.

Celanese Is Sticking With the Basics

Campaign to Cut Costs, Expand Markets Pays Off

By Steven Greenhouse
New York Times Service

NEW YORK — In recent years, most of the American chemical industry has been playing follow the leader. Du Pont Co., the largest U.S. chemical maker, bought Conoco Inc. and Chemical No. 2 in the business, acquired a pharmaceutical operation. And many other chemical companies are also responding to the huge worldwide overcapacity in basic chemicals by diversifying.

But Celanese Corp. has marched to a different drummer, keeping a stubborn commitment to its core businesses.

So far, its nonconformist strategy is paying off. After being the only major chemical company to lose money in 1982, Celanese is likely to outperform the industry this year and report record profits.

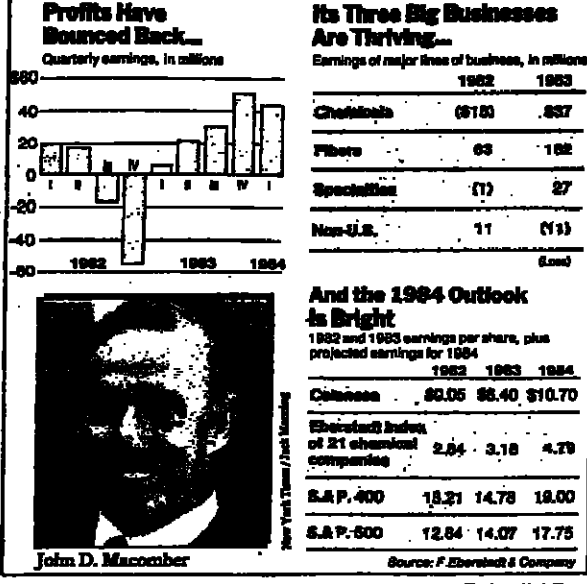
But it is too soon for the company to rest on its laurels. Because the chemical industry is so cyclical, Celanese's failure to diversify could leave it especially vulnerable to the next downturn.

"In fibers and commodity chemicals, Celanese is experiencing a fairly healthy rebound," said Elizabeth A. Segerton, an analyst with Standard & Poor's.

"But looking out beyond the current recovery, both areas are subject to downturns in a heavy way because of recurring overcapacity. The nature of these products is wide cyclical swings."

Company officials say Celanese is tinkering with the idea of diversifying through either acquisitions or new products, but the time for tinkering may be running out. The company's major markets — fibers and basic chemicals — are rapidly maturing, and Third World countries with plenty of natural resources are building large plants that will produce more chemicals than the market can absorb.

THE CELANESE RECOVERY



None of this seems to daunt the 56-year-old chairman and chief executive officer of Celanese, John D. Macomber, who, as architect of its strategy, has much face to lose if his company takes another bruising in the next recession. He says his company has already greatly reduced its vulnerability to cycles by shedding costs in its fibers and chemicals businesses.

"These have been very good businesses for us," said Mr. Macomber. "If you have a great big market share and very good quality, and if you have low costs and competitive technology, then you'll succeed. If you don't have those, you won't succeed."

Analysts are predicting that Celanese will report record profit this year. Anantha K.S. Raman, an analyst with First Boston Corp., forecasts that Celanese will earn \$165 million, or \$10.60 a share, in 1984, in contrast to a loss of \$34 million two years ago. In 1983 the company had profit of \$112 million.

Celanese is riding high because its three strongest markets are the automobile, housing and textile industries — all booming in the current consumer-led recovery.

Its principal strategy so far has been to cut costs and expand its market share in fibers and chemicals. Its cost-cutting program has even eaten into the research-and-development budget, a move many analysts consider short-sighted.

Although Mr. Macomber's strategy looks good this year, it was a drastically different story in 1982, when the recession depressed prices and pushed down Celanese's sales volume in those products by almost 20 percent.

Making things worse, the oil glut crippled sales of its specialty chemicals. The Chinese canceled a 200,000-ton order for polyester fiber — about half of which was to come from Celanese. And Celanese's Mexican operations lost \$78 million because of the devaluation of the peso, depressed conditions and a writedown of assets.

In the past two years, Mr. Macomber has slashed the payroll by more than 20 percent, to 39,700.

Continental Group Considers Possible Sale

The Associated Press

STAMFORD, Conn. — Continental Group Inc. said Monday that it is considering several transactions, including the sale of some of its divisions or the entire corporation.

On June 3, a British industrialist, Sir James Goldsmith, proposed to acquire the company for about \$2.4 billion, or \$50 a share.

The company said, "Sir James Goldsmith as well as several different parties have entered into an agreement under which they will be provided access to information."

about Continental. It did not identify the other parties.

All parties have agreed for a specific period not to acquire company shares without approval of the board, it said.

Continental said it has indicated that it would review and consider a proposal from Mr. Goldsmith.

Goldman Sachs & Co. and Morgan Stanley & Co. are acting as Continental's advisers.

The company had profit of \$199 million in 1983 on revenue of \$5.5 billion. It employs more than 39,700.



Sir James Goldsmith

people, with its \$3.6 billion in assets about equally divided between packaging, energy, and insurance and forest products.

CBI Says U.K. Recovery Continuing, But School Is Pessimistic on Targets

Reuters

LONDON — Britain's economy is continuing, the Confederation of British Industry said Monday, but the London Business School predicted that the government will not meet its economic forecasts for 1984.

In its June survey of manufacturing industry, the CBI said that of 1,762 companies, 29 percent expect output to increase over the next few months, 60 percent expect no change and 10 percent predict a fall. This is similar to the result of the May survey.

The organization noted that June was the second consecutive month in which fewer companies expected to increase their selling prices.

Sir Terence Beckett, CBI director general, said the survey points to continuing, steady increases in output.

The London Business School said that despite its forecast on government targets, it is more optimistic in its latest report about the longer term prospects for the British economy, particularly on inflation.

The Treasury forecasts growth of 3 percent in 1984, under inflation of 4 1/2 percent, a current account surplus of £2.7 billion (\$2.73 billion) and a public sector borrowing requirement of £7.25 billion for the year ending next March.

But the business school said the coal miners' strike will reduce growth in gross domestic product by 0.3 percent this year, cut the current account surplus by £700 million and inflate government borrowing by £300 million, assuming it ends in the third quarter.

It forecast growth of gross domestic product of 2 1/2 percent, compared with 3 percent in 1983, a current account surplus of £1.7 billion, against £2.9 billion, and a 1984/85 borrowing requirement of £7.9 billion.

It sees inflation falling from the current 5.1 percent to 4.3 percent in 1987, instead of rising, as it did earlier this year.

It said that, given the government's tight fiscal framework, "it is hard to see why inflation should rise."

Court Postpones Creusot Ruling

Reuters

PARIS — The Paris Commercial Court announced Monday that it has postponed until June 28 a ruling on an application by Creusot-Loire, the French heavy-engineering group, to go into receivership.

The court had been expected to make its ruling on Monday. It said it granted the postponement, the fourth in two weeks, after Creusot-Loire asked for a further delay.

The government, saying that such a request "necessarily means Creusot-Loire has new proposals to make," said it would study such suggestions with the greatest attention.

The court said that in view of "a certain convergence of views between the company and the government, which has never existed before," a definitive solution to company's problems is foreseeable. It gave no details.

Latin Americans Grant Argentina Debt Extension

By Juan de Onis
Los Angeles Times Service

CARTAGENA, Colombia — Argentina has obtained a 30-day reprieve from its Latin American creditors on repayment of a \$300-million loan after promising to make a serious effort to reach a stabilization agreement with the International Monetary Fund.

The assurances were given by Argentina's economics minister, Bernardo Grinspun, in private meetings with other finance ministers attending the Latin American debt conference of 11 countries here last week, Finance Minister Edgar Gutierrez Castro of Colombia reported Sunday.

As a result of what Mr. Gutierrez Castro called a "strong moral commitment" by Argentina to pay its debt, the finance ministers of Mexico, Brazil, Colombia and Venezuela agreed to extend the repayment deadline of June 30 for the \$300 million that they lent to Argentina in March to prevent an Argentine default on interest payments to international banks.

But the Latin American loan from the four nations' central banks was only a minor obligation, part of Argentina's total foreign debt of \$45 billion — which the new Buenos Aires administration is trying to refinance.

Attempts to reach agreement with creditor banks have been stalled by Argentina's resistance to accepting a stabilization agreement with the IMF that would require sharp reductions in budget deficits, wage restraints and other anti-inflationary measures. Argentine inflation rate now exceeds 500 percent a year.

Mr. Grinspun flew to New York on Saturday for a meeting Monday with William R. Rhodes, chairman of the creditor-bank steering committee for Argentina. Before leaving Cartagena, Mr. Grinspun said he is prepared to go to Washington to talk with Jacques de Larosiere, managing director of the IMF.

"The conference here has strengthened our position for negotiating an acceptable agreement with the creditors," Mr. Grinspun added before departing.

The Latin American ministers chose Buenos Aires over the Dominican Republic as the site for a new meeting on the debt problem in September. Argentina expects to play a leadership role during the coming months on behalf of all the Latin American debtors, who want to hold an international conference with the creditors on debt, trade and development financing.

The conference here, which closed Friday, issued detailed proposals that could serve as a basis for talks with creditor governments and foreign banks on how to manage the \$330-billion Latin American debt.

An IMF mission was in Caracas earlier this month for consultations and is to submit a report on the Venezuelan economy to the fund's board within two months.

Foreign bankers said a favorable IMF report and endorsement of Venezuela's economic adjustment plan, although not the normal procedure, would make it easier to reach a debt agreement. However, they said Venezuela must first settle the question of about \$1 billion in overdue interest payments on public and private-sector debt.

Venezuelan officials are to meet Thursday with the 13-bank advisory committee for discussions on the government's economic projections and measures to speed private-sector debt payments.

Venezuela Sees Pact on Rescheduling

Reuters

CARACAS — President Jaime Lusinchi of Venezuela said Monday that his government has made substantial progress in its debt-rescheduling talks and expects to reach agreement soon with its creditor banks.

Senior Venezuelan officials involved in the talks said last week that there have been positive contacts with the chairman of the U.S. Federal Reserve Board, Paul A. Volcker, aimed at agreeing on Venezuela's proposal to reschedule \$15 billion of foreign debts without a formal IMF program.

An IMF mission was in Caracas earlier this month for consultations and is to submit a report on the Venezuelan economy to the fund's board within two months.

Foreign bankers said a favorable IMF report and endorsement of Venezuela's economic adjustment plan, although not the normal procedure, would make it easier to reach a debt agreement. However, they said Venezuela must first settle the question of about \$1 billion in overdue interest payments on public and private-sector debt.

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CURRENCY RATES

Late interbank rates on June 25, excluding fees.
Official fixings for Amsterdam, Brussels, Milan, Paris, New York rates at 2:00 P.M. EDT.

	U.S.	£	DM	FF	Y	S	Sc	Sw	N	DK	Fin	SEK	Yen
Amsterdam	2.185	4.27	17.61	36.45	1.128	—	—	—	—	—	—	—	155.22/23
Brussels	37.57	77.375	20.3475	6.228	3.2975	18.075	—	—	—	—	—	—	34.41
Frankfurt	2.045	3.775	—	—	—	—	—	—	—	—	—	—	13.775
London (3)	1.250	—	—	—	—	—	—	—	—	—	—	—	—
Milan	1.715/0	2.235/0	615.00	300.13	—	54.72	28.283	739.25	7.25	—	—	—	—
New York	1.248	2.600	8.675	1.750	—	57.25	2.32	250.40	—	—	—	—	—
Paris	6.415	11.41	27.10	—	—	51.07	34.25	2.619	—	—	—	—	—
Tokyo	238.25	222.50	34.80	27.40	13.80	76.40	74.80	102.80	—	—	—	—	—
Zurich	2.240	3.191	8.238	—	—	57.125	1.338	73.25	—	—	—	—	—
Stockholm	0.278	0.288	—	—	—	—	—	—	—	—	—	—	—
1 SDR	1.2854	0.7682	2.0674	4.8744	1.76729	3.3467	38.484	2.482	—	—	—	—	—

	U.S.	£	DM	FF	Y	S	Sc	Sw	N	DK	Fin	SEK	Yen
Amsterdam	2.185	4.27	17.61	36.45	1.128	—	—	—	—	—	—	—	155.22/23
Brussels	37.57	77.375	20.3475	6.228	3.2975	18.075	—	—	—	—	—	—	34.41
Frankfurt	2.045	3.775	—	—	—	—	—	—	—	—	—	—	13.775
London (3)	1.250	—	—	—	—	—	—	—	—	—	—	—	—
Milan	1.715/0	2.235/0	615.00	300.13	—	54.72	28.283	739.25	7.25	—	—	—	—
New York	1.248	2.600	8.675	1.750	—	57.25	2.32	250.40	—	—	—	—	—
Paris	6.415	11.41	27.10	—	—	51.07	34.25	2.619	—	—	—	—	—
Tokyo	238.25	222.50	34.80	27.40	13.80	76.40	74.80	102.80	—	—	—	—	—
Zurich	2.240	3.191	8.238	—	—	57.125	1.338	73.25	—	—	—	—	—
Stockholm	0.278	0.288	—	—	—	—	—	—	—	—	—	—	—
1 SDR	1.2854	0.7682	2.0674	4.8744	1.76729	3.3467	38.484	2.482	—	—	—	—	—

INTEREST RATES

Eurocurrency Deposits June 25

	Dollar	D-Mark	Swiss Franc	British Pound	French Franc	ECU	SDR
1M	12 1/4 - 12 3/4	5 1/4 - 5 3/4	4 1/4 - 4 3/4	8 1/4 - 8 3/4	12 1/4 - 12 3/4	9 1/4 - 9 3/4	9 1/4 - 9 3/4
3M	12 1/4 - 12 3/4	5 1/4 - 5 3/4	4 1/4 - 4 3/4	8 1/4 - 8 3/4	12 1/4 - 12 3/4	9 1/4 - 9 3/4	9 1/4 - 9 3/4
6M	12 1/4 - 12 3/4	5 1/4 - 5 3/4	4 1/4 - 4 3/4	8 1/4 - 8 3/4	12 1/4 - 12 3/4	9 1/4 - 9 3/4	9 1/4 - 9 3/4
1Y	12 1/4 - 12 3/4	5 1/4 - 5 3/4	4 1/4 - 4 3/4	8 1/4 - 8 3/4	12 1/4 - 12 3/4	9 1/4 - 9 3/4	9 1/4 - 9 3/4

Rates applicable to interbank deposits of \$1 million minimum (or equivalent).

Key Money Rates

United States

Federal Funds	11 1/4	11 1/4	Call Money	9	9
Prime Rate	13	12 3/4	91-day Treasury Bill	8 5/8	8 7/8
Broker Loan Rate	12 1/2	12 1/2	3-month Interbank	9 1/2	9 1/2
Commercial Paper, 30-179 days	11.25	11.25	France		
1-month Treasury Bills	9.85	9.78	Intermarket Rate	11 1/4	11 1/4
1-month Treasury Bills	10.53	10.50	Call Money	11 1/4	11 1/4
CD's 28-99 days	11.15	10.62	One-month Interbank	12	11 1/4
CD's 98-99 days	11.50	10.89	3-month Interbank	12 1/4	12 1/4
			6-month Interbank	12 1/4	12 1/4
West Germany					

NYSE Most Actives					
Symbol	High	Low	Open	Close	Chg
AT&T	112.50	112.00	112.00	112.00	0.00
IBM	125.00	124.50	124.50	124.50	0.00
GE	40.00	39.50	39.50	39.50	0.00
AMC	15.00	14.50	14.50	14.50	0.00
...

Dow Jones Averages					
Index	High	Low	Open	Close	Chg
Indust	1,130.52	1,125.00	1,125.00	1,125.00	0.00
Transp	1,130.52	1,125.00	1,125.00	1,125.00	0.00
...

NYSE Index					
Index	High	Low	Open	Close	Chg
NYSE	1,130.52	1,125.00	1,125.00	1,125.00	0.00
...

Monday's
NYSE
Closing

Vol. 3 P.M. 46,388,000
Prev. 3 P.M. vol. 75,048,000
Prev. consolidated close 116,983,428

Tables include the nationwide prices up to the closing on Wall Street

AMEX Diaries					
Symbol	High	Low	Open	Close	Chg
AMEX	112.50	112.00	112.00	112.00	0.00
...

NASDAQ Index					
Index	High	Low	Open	Close	Chg
NASDAQ	1,130.52	1,125.00	1,125.00	1,125.00	0.00
...

AMEX Most Actives					
Symbol	High	Low	Open	Close	Chg
AMEX	112.50	112.00	112.00	112.00	0.00
...

NYSE Diaries					
Symbol	High	Low	Open	Close	Chg
NYSE	112.50	112.00	112.00	112.00	0.00
...

NYSE Prices Ease in Slow Day

United Press International
NEW YORK — Prices on the New York Stock Exchange were slightly lower at the close Monday in relatively slow trading.

The Dow Jones industrial average, which fluctuated at the outset after gaining 3.86 points Friday, was off 0.5 to 1,130.52. The Dow gained 44.17 points overall last week, the best advance since it surged 44.60 the period ended March 16. Declines led advances by a slim margin among the 1,938 issues traded.

Turnover amounted to about 73.1 million shares, down from 98.4 million traded Friday. Several analysts said the market was active very well considering the news background that included a hike in the prime lending rate.

"Volume is lacking, however, so it looks like the market is in a holding pattern for a while," said John Burnett of Donaldson, Lufkin & Jenrette. "There is no great rush to buy securities and there are no signs of urgency to sell."

Mr. Burnett said many investors might be waiting for the Treasury's \$15.5-billion refunding program to begin Tuesday that is expected to put upward pressure on interest rates.

First National Bank of Chicago, Citibank and several other major banks raised their prime lending rate to 13 percent from 12 1/2 percent because short-term federal funds rates, which banks charge one another for overnight loans, have risen.

The increase was the fourth this year and put the key lending rate at its highest level since October 7, 1982.

The White House said it was disturbed by the

increase and could not understand why federal funds rates had risen to the 11 to 12 percent range recently.

Many Wall Street analysts had expected the prime rate hike because the economy, while showing signs of slowing down, remains robust and has brought on heavy credit demand from the private sector.

Brokers encouraged that congressional conferees over the weekend agreed on a bill to raise taxes by \$50 billion and cut spending by \$11 billion through fiscal 1987.

The conferees also agreed to cut the holding period for capital gains taxes to six months from 12 months and repealed the 30-percent withholding tax on interest paid to foreign investors in U.S. securities.

"There has been a confluence of negative news lately and this has not broken the market down," said Ralph Acampora of Kidder Peabody. "I think the market is saying it wants to go higher and I'm encouraged."

AT&T (ex-dividend) was one of the most active NYSE-listed issues. AT&T is slated to unveil a personal computer Tuesday and investors were waiting anxiously.

IBM, which lost 1/2 percent Friday, was higher most of the day in heavy trading. IBM unveiled two new versions of its personal computer with sophisticated graphics abilities.

Petroleum, which climbed 7/8 last week, was active. Texas Eastern Corp., which agreed to acquire Petroleum for \$20 a share, was higher. Commonweal edition made the active list with a block of 627,000 shares at 23 1/4.

NYSE Diaries					
Symbol	High	Low	Open	Close	Chg
NYSE	112.50	112.00	112.00	112.00	0.00
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**FOLLOW THE AMERICAN
POLITICAL CAMPAIGN
DAY AFTER DAY IN
THE INTERNATIONAL
HERALD TRIBUNE**

THE
CANDIDATES

THE
PARTIES

THE
ISSUES

19%	9%	YankO s		6	40	9%	8%	8%
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Three

Hours

days
in the Trib.

News hot from the trading floor in

Edward
Behrman's

Kohnbach's Wall Street

Wall Street Watch

June 25 Company

Earnings
Revenue and profits, in millions.

are in local currencies unless otherwise indicated

Britain

972.00	973.30	
208.00	9,290.00	
320.00	9,235.00	
259.90	360.06	
351.50	332.50	
335.00	636.06	

Trusthouse Forte

1st Half	1994	1
Revenue	503.3	4
Prefox Net	31.7	

631.00	644.00	United States Corning Glass Works 2nd Glass
638.50	632.50	
645.00	647.00	
636.00	637.00	
633.50	624.00	

1994	1994
Revenue	410.1
Net Income	36.6
Per Share	1.74
1st Half	1994
Revenue	200.5

Net Income	65.0	5
Per Share	3.72	2

1984 quarter net includes extraordinary credit of \$65 million from realization of net loss carryforwards.

		Heinz (H.J.)	
4th Quar.		1984	1983
Revenue	1,120.	1,080.	1,080.
Net Income	62.89	58.00	58.00
Per Share	0.01	0.01	0.01

Year	1984
Revenue	3,950
Net Income	237.53
Per Share	3.40

Results reached for 3-6-2 with 1 in 500

1st Quor.	1984	1983
Revenue	645.5	677.7
Net Income	18.47	37.7

Big Losses Seen

In German Cars
Reuters

521	6.82%
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June 25

It confirmed figures released earlier that showed that last month the industry lost 88,130 vehicles because of the strike, which started

May 14.

Earlier, the Federal Motor Office reported that foreign manufacturers increased their share of the

new car market to 28.5 percent in the first five months of this year from 25.5 percent in the same 1988 period.

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[illegible]

Big Losses Seen In German Cars

Reuters

FRANKFURT — The West German auto industry is likely to lose at least 360,000 cars and commercial vehicles, or the output of a full month, because of the IG Metall union strike, the industry association, VDA, said Monday.

It confirmed figures released earlier that showed that last month the industry lost 88,130 vehicles because of the strike, which started May 14.

Earlier, the Federal Motor Office reported that foreign manufacturers increased their share of the new car market to 28.5 percent in the first five months of this year from 25.5 percent in the same 1981 period.

CORN (CBT)	
\$500 bu minimum	
1.82	2.86 1/4
1.56 1/2	2.93 1/2
1.33	2.79 1/4
1.25 1/2	2.78 1/2
1.30	2.95 1/2
1.31	2.87 1/2
1.21 1/2	3.07
Est. Sales	
Prev. Day Open	
SOYBEANS (CBT)	
\$200 bu minimum	
9.92 1/2	6.39 1/2
9.56 1/4	6.30
8.50	7.05 1/2
7.72 1/4	6.61
7.70	6.76
7.90 1/2	6.92
7.97	7.29 1/2
7.98	7.42
Est. Sales	
Prev. Day Open	
SOYBEAN MEAL	
100 tons - callers	
267.50	179.50
241.00	182.80
243.00	184.30
248.00	177.10
227.00	179.50
208.00	182.00
226.00	182.00
205.00	179.00

SPORTS

McEnroe, Lendl Win; Jarryd Stumbles

Compiled by Our Staff From Dispatches
WIMBLEDON, England—Defending champion John McEnroe defeated second-seeded Ivan Lendl in a hard fought match on Monday at the start of the Wimbledon tennis championships.
 McEnroe, who has a reputation for challenging officiousness, kept a temper in check in his 6-4, 6-4, 7-9, 6-1 victory over Paul McNamee. McEnroe showed some perky touches despite the swirling and that plagued the 155-minute match.

Lendl, who upset McEnroe with a come-from-behind five-set win in a French Open final earlier this month, survived a searching 2-hour minute examination against McEnroe in the first round. Lendl won 4-6, 6-0, 6-3, 5-7, 6-4.
 Third-seeded Jimmy Connors, champion in 1974 and 1982, won a title of baseline rallies to edge Lloyd Bourne, 7-5, 7-5, 6-4. Connors broke Bourne's impressive serve at 5-5 in the first and second sets and at 4-4 in the third. But Bourne's wayward backhand volleys made all the difference.
 Another seed to go through to

the second round was Henrik Sundstrom. The No. 9 seed knocked out Bernard Boileau, 6-4, 7-6, 7-5, with his typical strong service game.
 Chris Lewis, last year's runner-up to McEnroe, defeated Roland Stadler, 6-3, 6-2, 6-2.
 But Anders Jarryd became the first seeded player to fall. The 10th seed was decisively beaten, 4-6, 6-4, 6-3, by Scott Davis, ranked 24th on the Association of Tennis Professionals list.
 Jarryd handicapped himself with a series of unforced errors and poor serving and grew tired of approaching the net. Davis, meanwhile, grew in confidence with a positive serve and volley philosophy.
 José-Luis Clerc, the No. 8 seed, was a late withdrawal Monday through illness, joining another seeded non-starter, seventh-ranked Yannick Noah, who withdrew last week with an abdominal strain. Clerc was replaced by Claudio Mezzadri, who was beaten by Craig Miller, 6-3, 3-6, 6-3, 6-4.

Matias Navratilova, the defending women's champion and holder of all four championships, was an overwhelming 1-6 favorite to lift the Wimbledon crown for the fifth time. She opens her campaign Tuesday against Marcie (Peanut) Louie.
 McEnroe refused to allow any television cameras into his post-match interview claiming that some of his remarks had been taken out of context previously by British television.
 "I just felt I would let my racket do my talking," he said. "I turned out to be a tough match. I'm glad I got through. I really blew the third set. I felt I got a good start in the fourth that I'd be all right."
 But McEnroe said he has no grudge with Wimbledon, with which he also has been in the past. On Monday morning he received a personal letter from R.E. (Buzzer) Hadingham, the new chairman of the All-England Tennis Club, welcoming McEnroe to Wimbledon and assuring him he would be treated fairly.
 McEnroe stirred fresh antagonism among British sports writers earlier this month when he acted up at Queen's Club grasscourt tournament, calling the umpire a "moron."



John McEnroe serves on his way to victory over Paul McNamee.

Spain Seeks to Change Negative Soccer Image

Compiled by Our Staff From Dispatches
LYON, France—Spain headed for Paris on Monday hoping to win both the title and the public's respect when it meets France in the European soccer championship final on Wednesday.
 The Spanish coach, Miguel Muñoz, and his players felt aggrieved that they have not been given due credit for their results so far.
 The Spaniards' 5-4 penalty shoot-out victory over Denmark in Sunday night's semifinal was greeted with the same wary smiles which met their 1-2 destruction of hapless Malta in December—a result which saw the 1964 European champions edge out the Netherlands on goal difference.
 "I would point out to our critics that we lost only one of our eight qualifying games and that we are still unbeaten in France," said Muñoz, who succeeded Jose Santamaría as Spanish coach after the 1982 World Cup failure. "Of course the penalty decision was unsatisfactory, but we merely follow the rules, we don't dictate them."
 The torrid semifinal, which ended 1-1 after extra time, was costly to the Spaniards, which will be without two of its best players, midfielder Rafael Gordillo and defender Antonio Maceda, in the final.
 Both were suspended for one game after being cautioned for the second time in the tournament.
 The Danish coach, Sepp Piontek, said his team had proven its worth even if it did not reach the tournament final.
 "What we showed with this match was that Denmark can play inspired attacking soccer," said Piontek, whose team had won admiration and supporters with its all-attack style and determination. "We did everything in our power."
 "We knew this would be a difficult match and, before the final whistle, we never had the impression that our work was already done and the final was waiting for us. We knew Spain would be well prepared psychologically and would be a tough test."
 Piontek said the game was decided by small margins, just like the France-Portugal semifinal on Saturday, which the French won when Michel Platini scored in the last minute of extra time to cap a brilliant comeback.
 "We had our chances to win the match in the second half," Piontek said. "We have no excuses. You have to accept the defeat although it was a bitter one."
 (Reuters, UPI, AP)

Kite Wins Atlanta Golf By 5 Shots Over Pooley

Compiled by Our Staff From Dispatches
ATLANTA—Tom Kite fired a under-par 67 Sunday to win the Atlanta Golf Classic by five strokes, the first time he has won two tournaments in a year. Kite, who won at Doral in March, had a six-day total of 18-under 269, the best strokes under par on the PGA tour this season.
 Kite trailed by three shots after two rounds and moved into a one-shot lead over Don Pooley with a 6 Saturday. Kite had no difficulty identifying his lead as Pooley shot 1-274.
 Tom Simpson had a 67 to wind third at 13-under 275 along with Mike Donald, who had a closing 9. Jim Colbert (69), Bobby Wadkins (67), Mike Sullivan (69) and codd Simpson (71) were at 11-under 277.
 The victory served as the second comeback from a major tournament disappointment for Kite this season. After a shot into the water cost him a chance to win the Masters earlier this year, Kite came back the following week to finish second in the Heritage Classic.
 Earlier this month, he missed the cut in the U.S. Open, used the weekend to iron out some kinks in

his game and rebounded here with the victory in his ninth top-10 finish of the year.
 "After you reach a certain stage," said Kite, who topped the game's money-winners in 1981, a season in which he won only once but finished in the top 10 in 21 of 26 starts, "winning is the only thing that's important."
 (UPI, AP)

Top Finishers in Monte Carlo Open (Tournament shortened by rain)	
Tom Moray, Britain	68-63-131
Manuel Colera, Spain	66-67-135
John Fowler, Australia	67-68-135
Ken Aoki, Japan	67-69-136
Michael McLenn, Britain	66-70-136
Alme Garmaze, Brazil	69-67-136
John Bocker-Flint, Australia	69-67-136
Arden Brand, Britain	69-67-136
Joe Trevino, U.S.	68-69-137
Chris Moody, Britain	70-67-137
Johnny Horton, Britain	69-68-137

